

# Update on the New England Economy and Housing Markets

**Banker & Tradesman Real Estate Outlook Breakfast**  
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The views expressed in the presentation are not necessarily those of either the Federal Reserve Bank of Boston or the Federal Reserve System.

# Areas of Focus

- Employment situation
- Consumer and business confidence round-up
- Housing situation
- Economic outlook for New England

# New England Employment Situation

Good News: Employment and incomes are higher than they were one year ago.

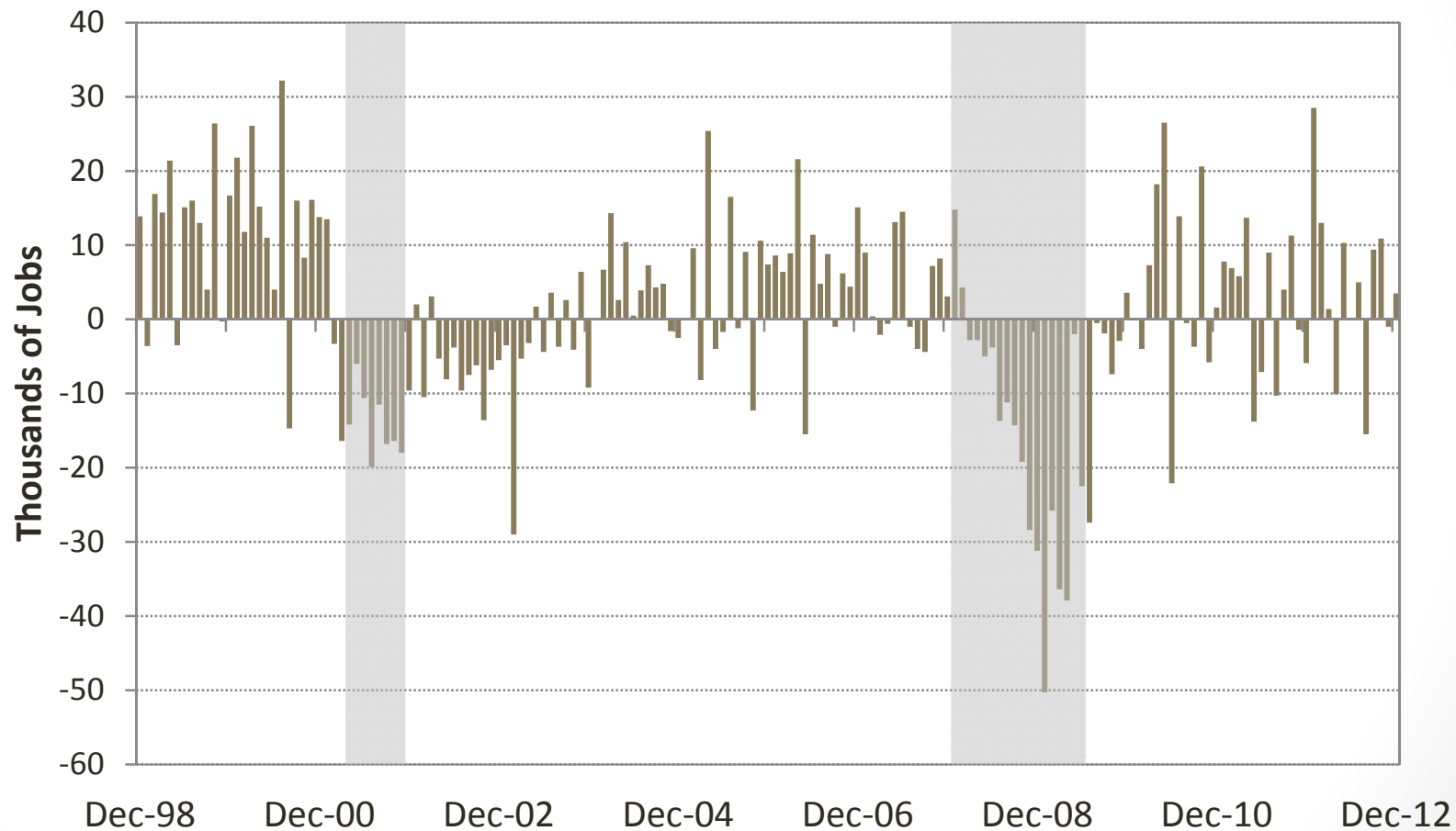
- Employment is growing in most major industries.
- Regional unemployment still below the national rate.
- Personal incomes grew over the past year.

Bad News: Growth has been slower than the nation and unemployment ticked up over the summer.

- Job growth has been unsteady and lags behind the nation.
- Unemployment rate increased slightly in July and August.
- Growth of personal incomes has been below that of the U.S. each quarter over the past year.

# Employment growth in New England has been unsteady in 2012.

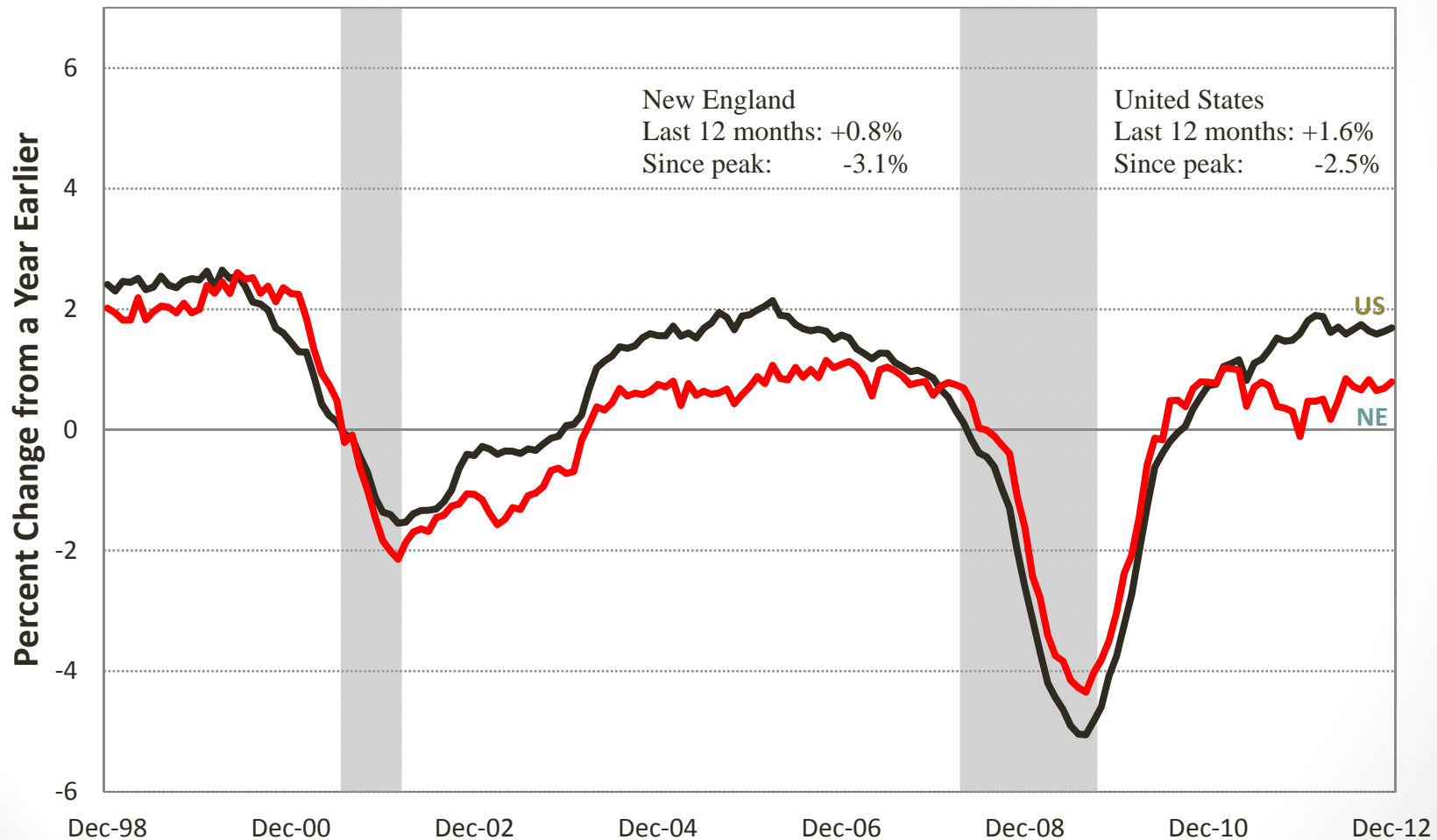
## Monthly Employment Change, New England



Source: Bureau of Labor Statistics, NBER, Haver Analytics

As a result, year-over-year employment gains for New England were below that of the U.S.

### Annual Employment Growth

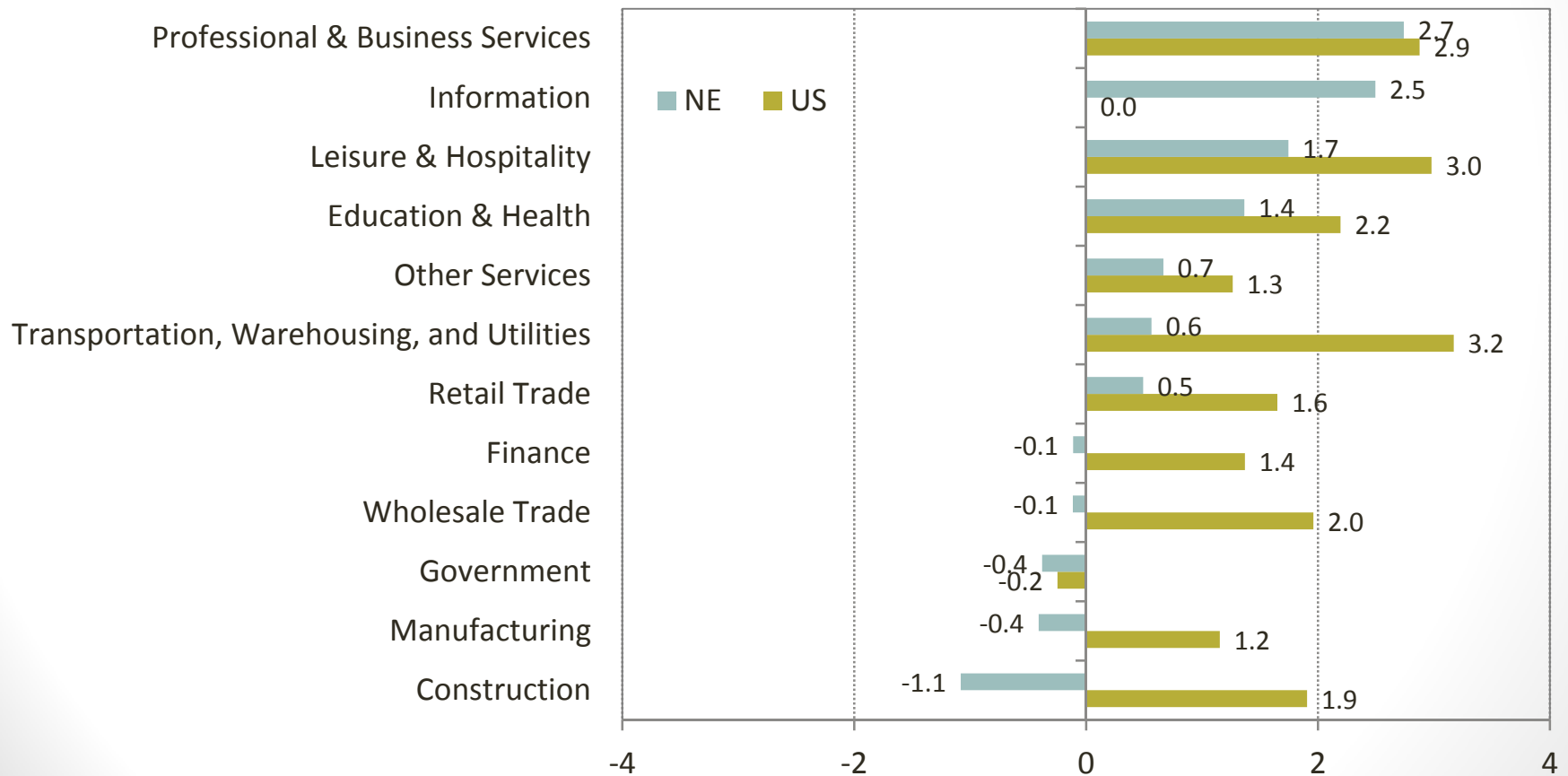


Source: Bureau of Labor Statistics, NBER, Haver Analytics

# By industry, employment growth in New England was mixed compared to a year earlier.

## Annual Employment Growth by Industry

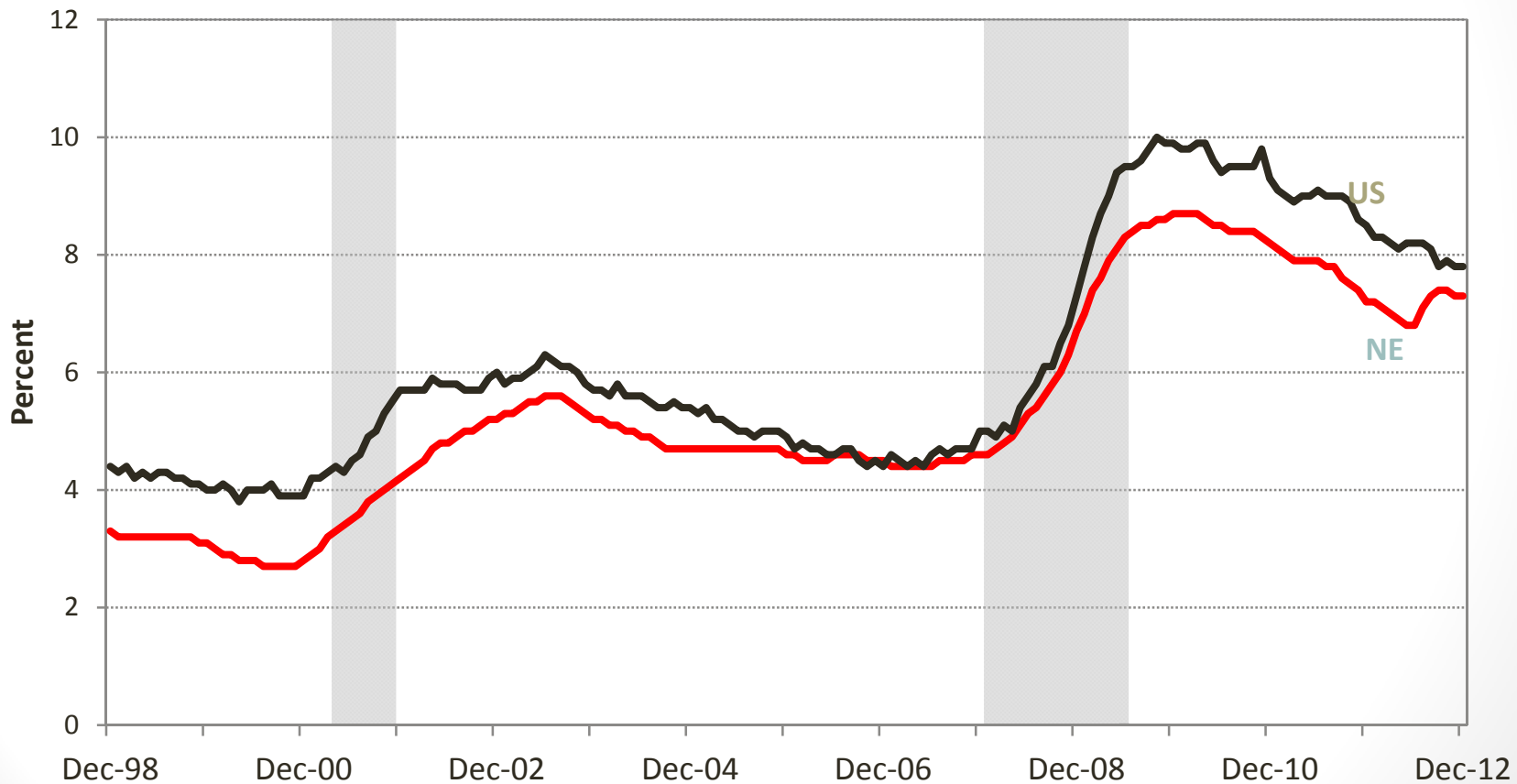
Percent Change, December 2011 - December 2012



Source: Bureau of Labor Statistics, NBER, Haver Analytics

After two years of steady improvement, New England's unemployment rate ticked up over the summer and now stands at 7.3%.

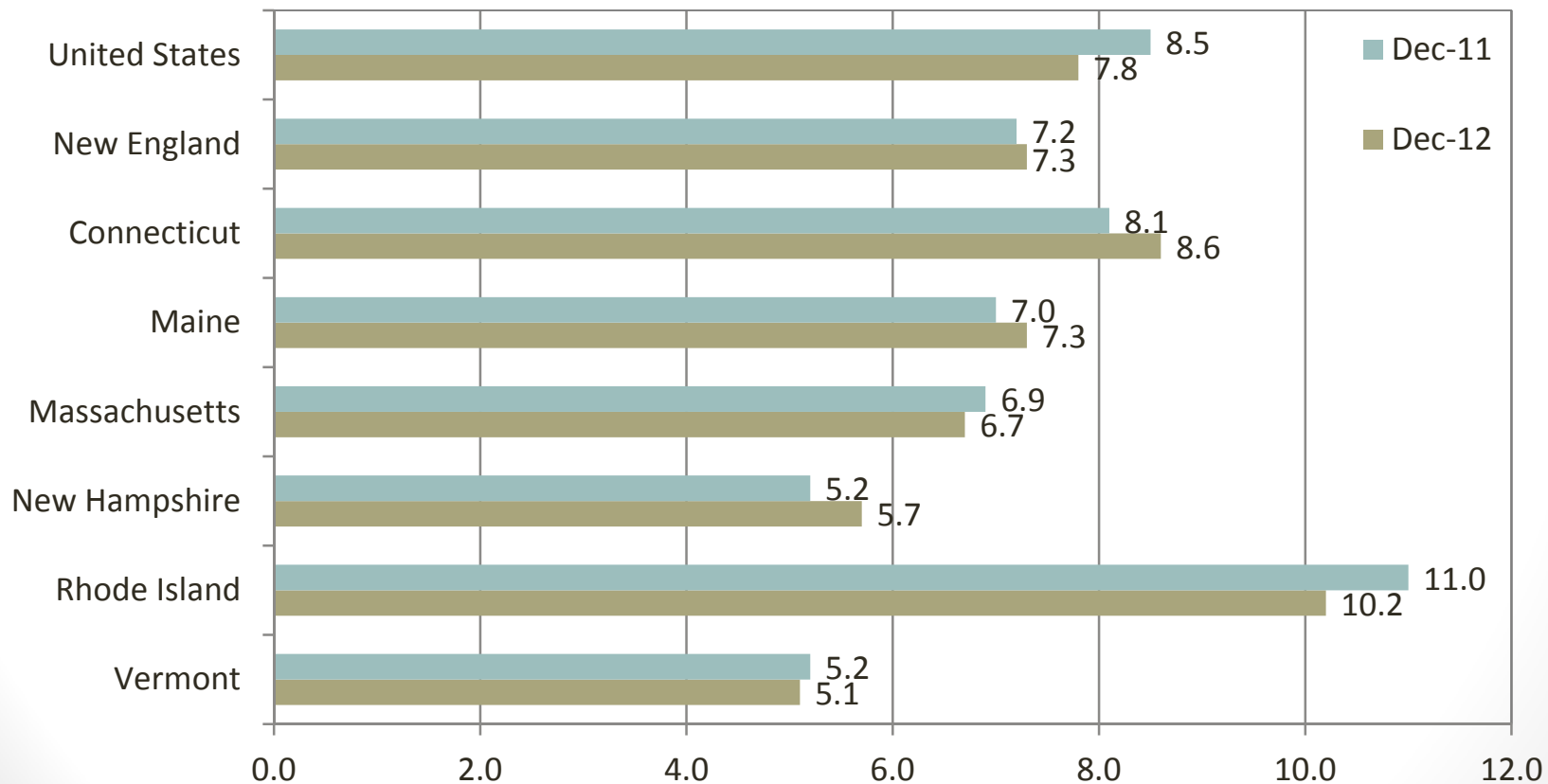
### Unemployment Rates



Source: Bureau of Labor Statistics, NBER, Haver Analytics

Year-over-year, the unemployment rate was up slightly for the region, but improved markedly in Connecticut and Rhode Island.

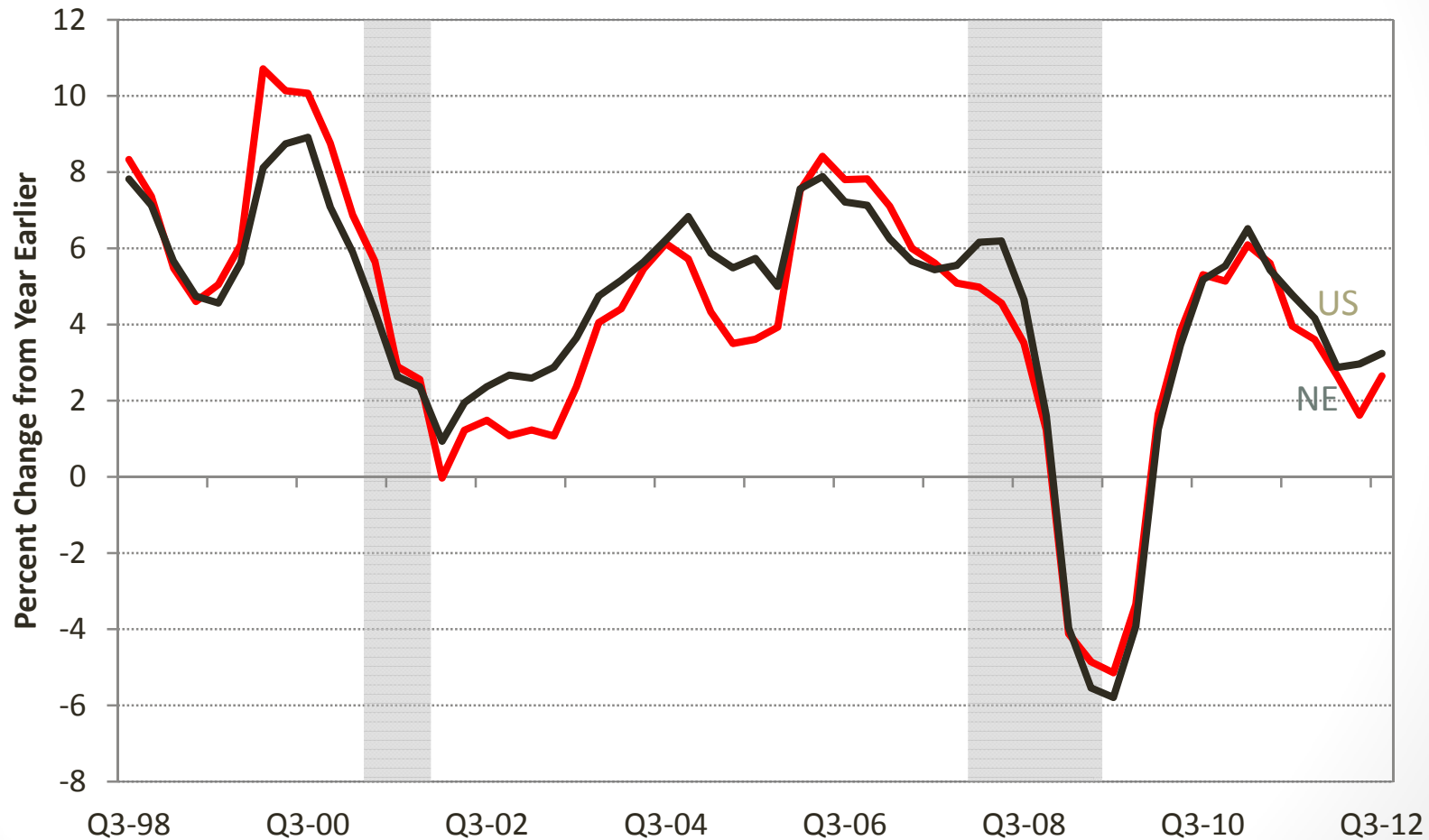
### Unemployment Rates



Source: Bureau of Labor Statistics, Haver Analytics

# Personal income continued to grow in New England, although at a slower rate than the U.S.

## Annual Personal Income Growth



Source: Bureau of Economic Analysis, NBER, Haver Analytics

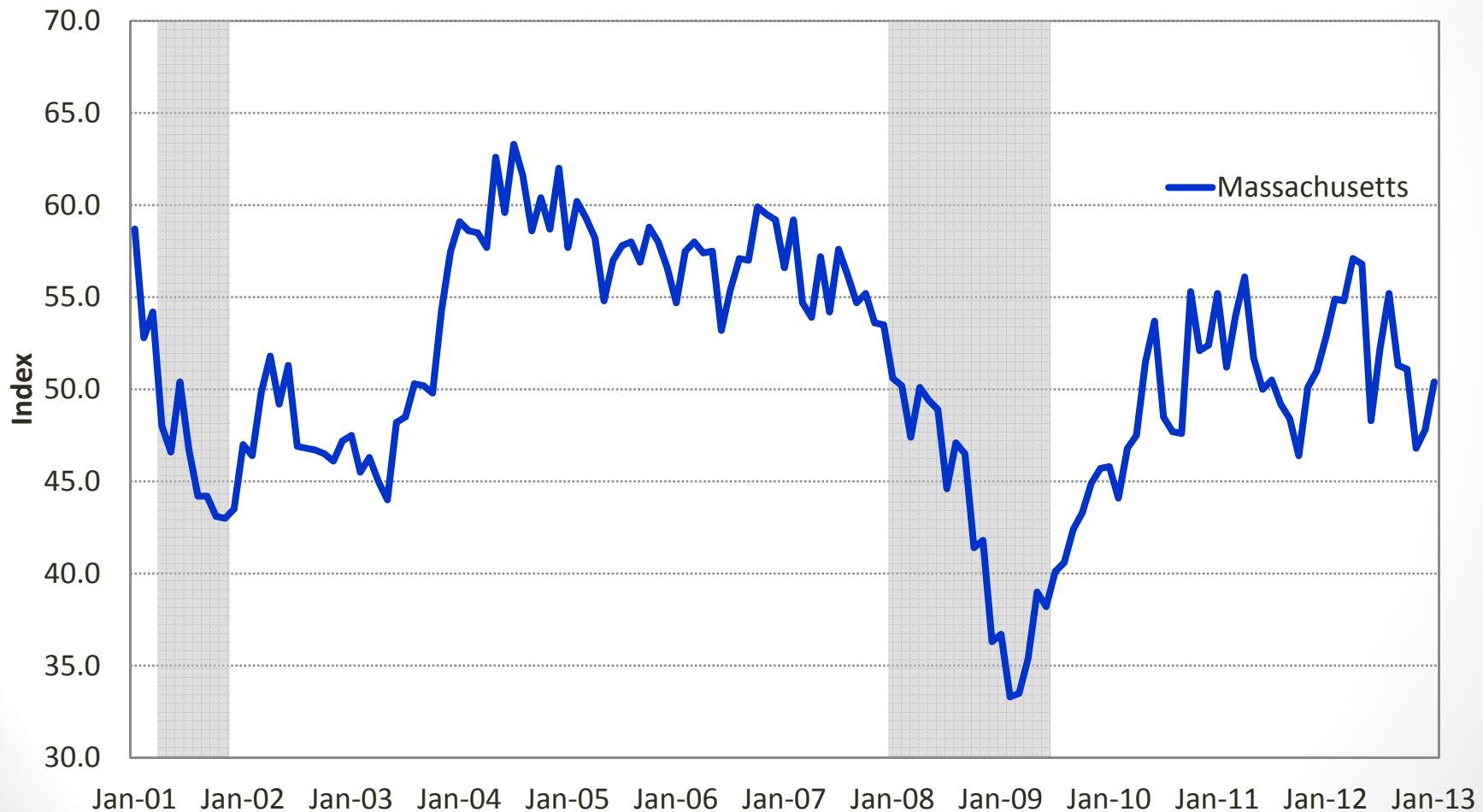
# Consumer and Business Confidence

Good News: Confidence is higher than one year ago and forward looking indicators suggest greater growth.

- Business confidence increased in Massachusetts in January, reversing several months of declines.
- Consumer confidence among New England residents had been falling since October, but rebounded in February.
- Forward-looking indicators point to greater expected growth over the coming six months for most of the New England states.

# Confidence among Massachusetts employers ticked up in January, just above the neutral mark.

## AIM Business Confidence Index

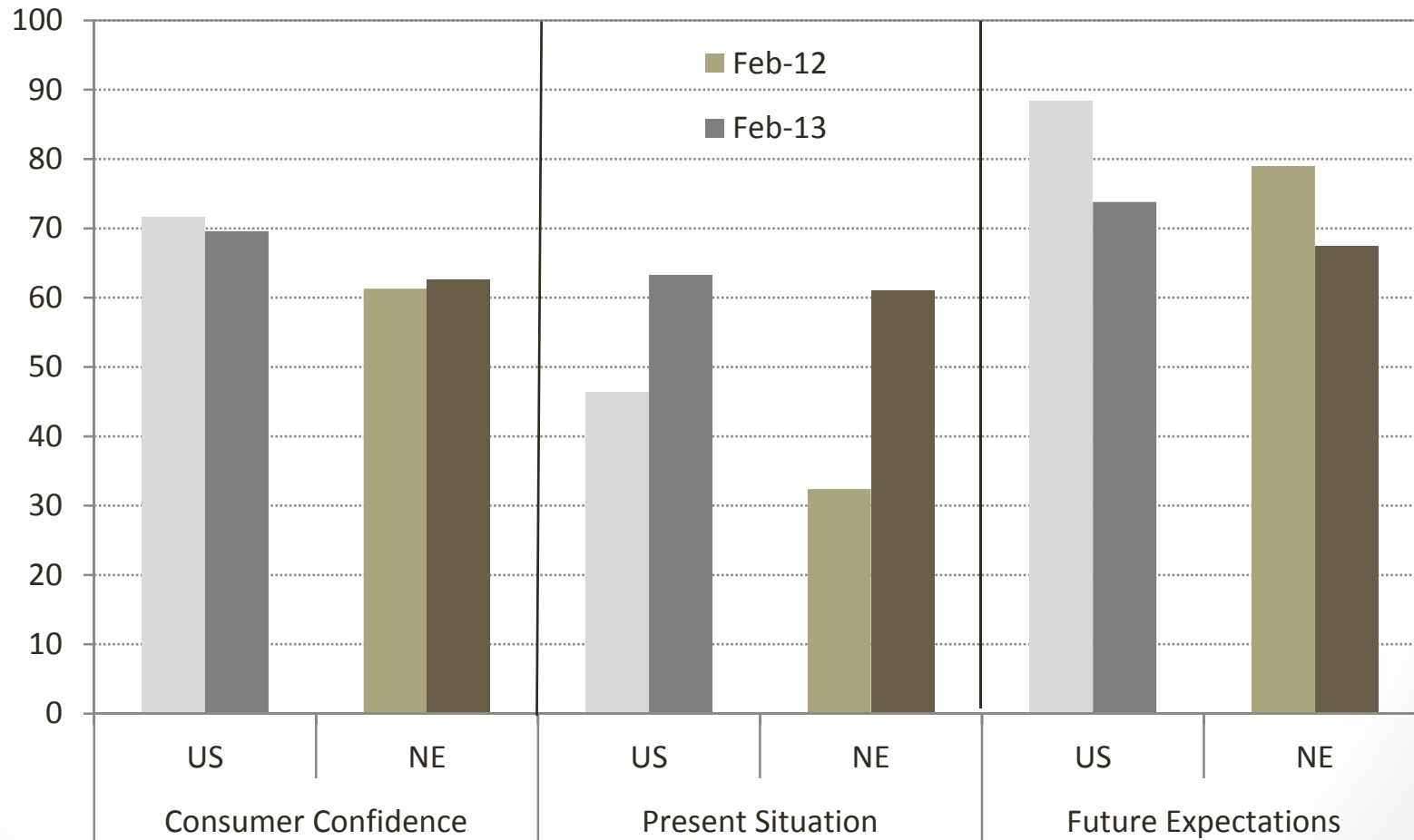


Source: Associated Industries of Massachusetts, NBER

Overall, consumer confidence in New England is slightly higher than a year ago but below the U.S.

### Consumer Confidence

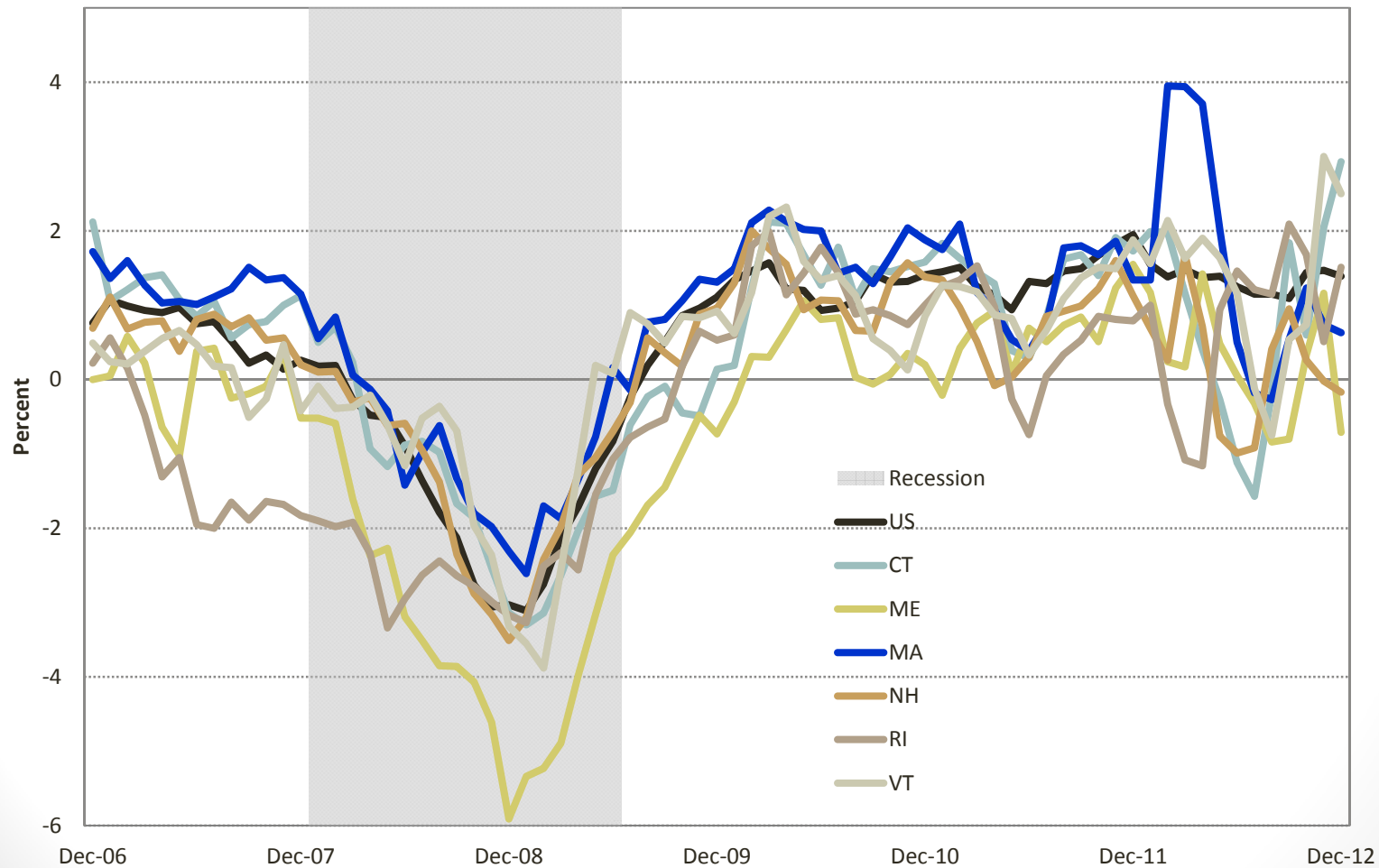
Index, 1985 U.S. Average = 100



Source: The Conference Board, Haver Analytics

Forward-looking indicators suggest greater expected growth over the coming six months.

### Federal Reserve Bank of Philadelphia Leading Economic Index



Source: Federal Reserve Bank of Philadelphia.

# Housing Market Situation

## **Good News: There are positive signs of recovery.**

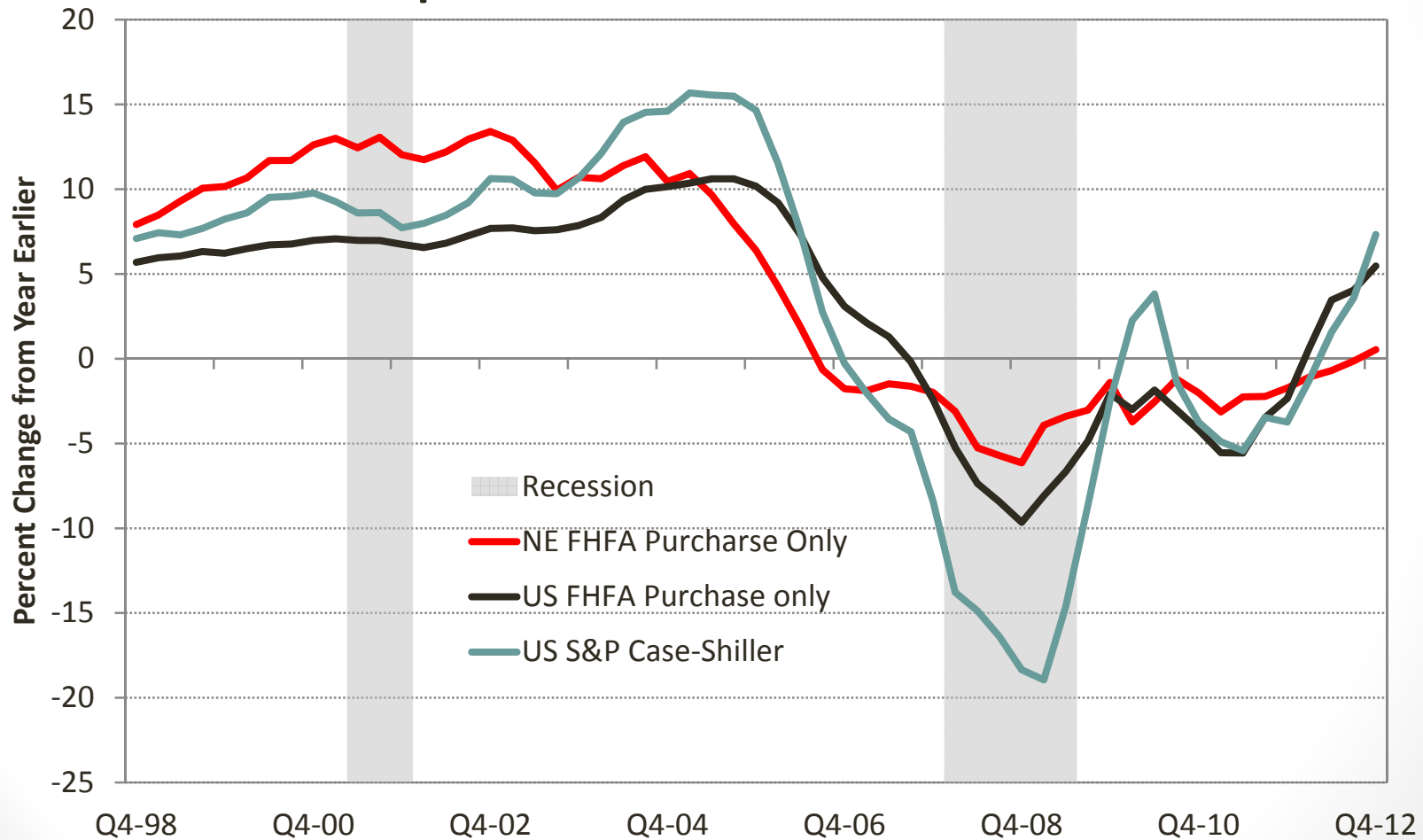
- Price declines have moderated in much of New England.
- Sales and permits are up compared to a year ago.
- Foreclosures have fallen sharply over the past year.

## **Bad News: The housing recovery continues to be slow.**

- Regional house prices grew more slowly than the U.S.
- Existing home sales and single family permits lag the nation.
- Foreclosures are persistently high compared to historical levels.

At the end of 2012, house prices in New England were slightly higher than a year ago, but growing much more slowly than the nation .

### Repeat-Sales Home Price Indices

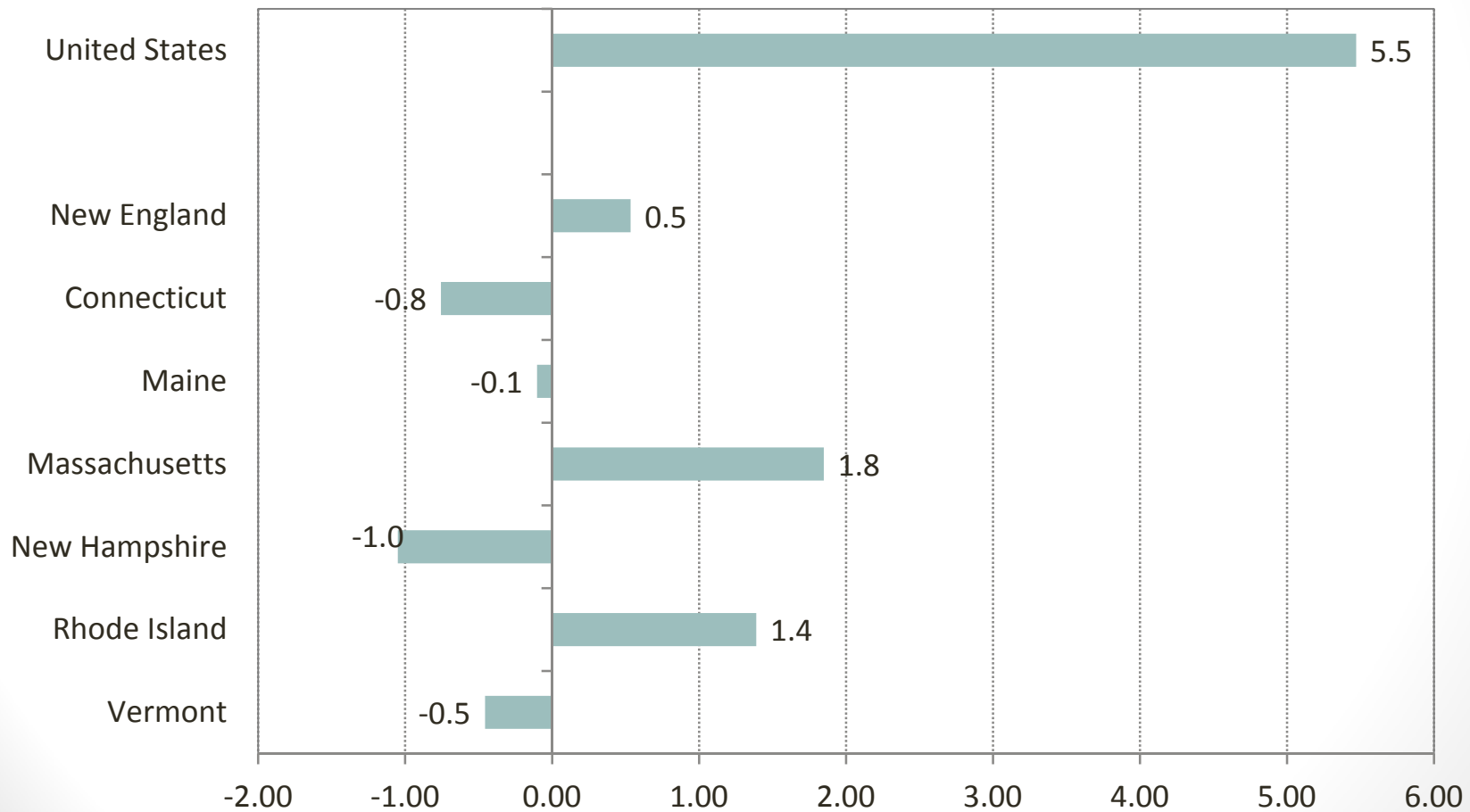


Source: FHFA, NBER, S&P/Case-Shiller, Haver Analytics

# Year-over-year, house prices fell in four of six New England states.

## FHFA Purchase-Only House Price Index

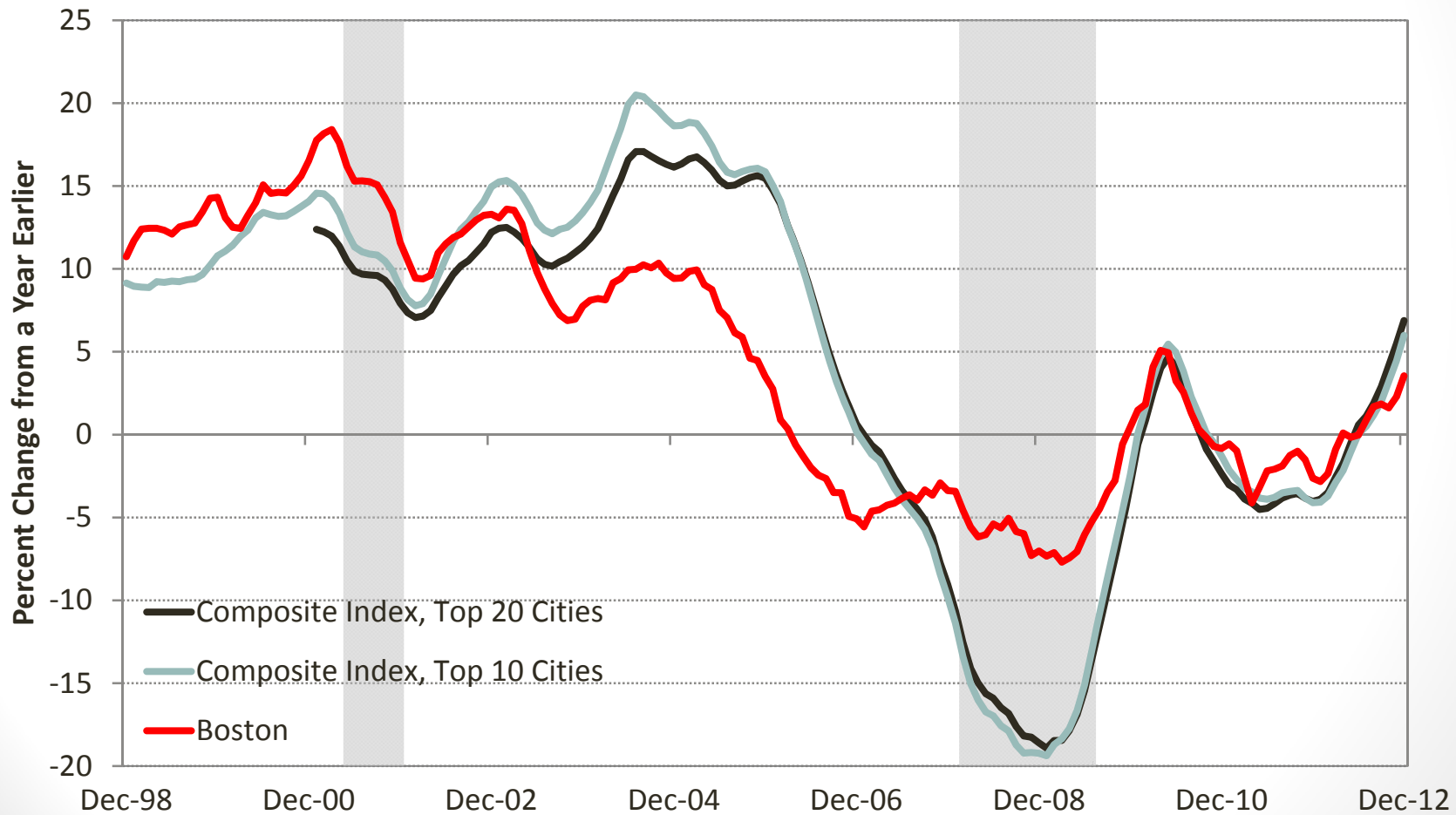
Percent Change, Q4 2011 - Q4 2012



Source: FHFA, NBER, S&P/Case-Shiller, Haver Analytics

In Boston, prices never fell as much as in some metropolitan areas, although recovery is still slow.

### S&P/Case Shiller Home Price Indices

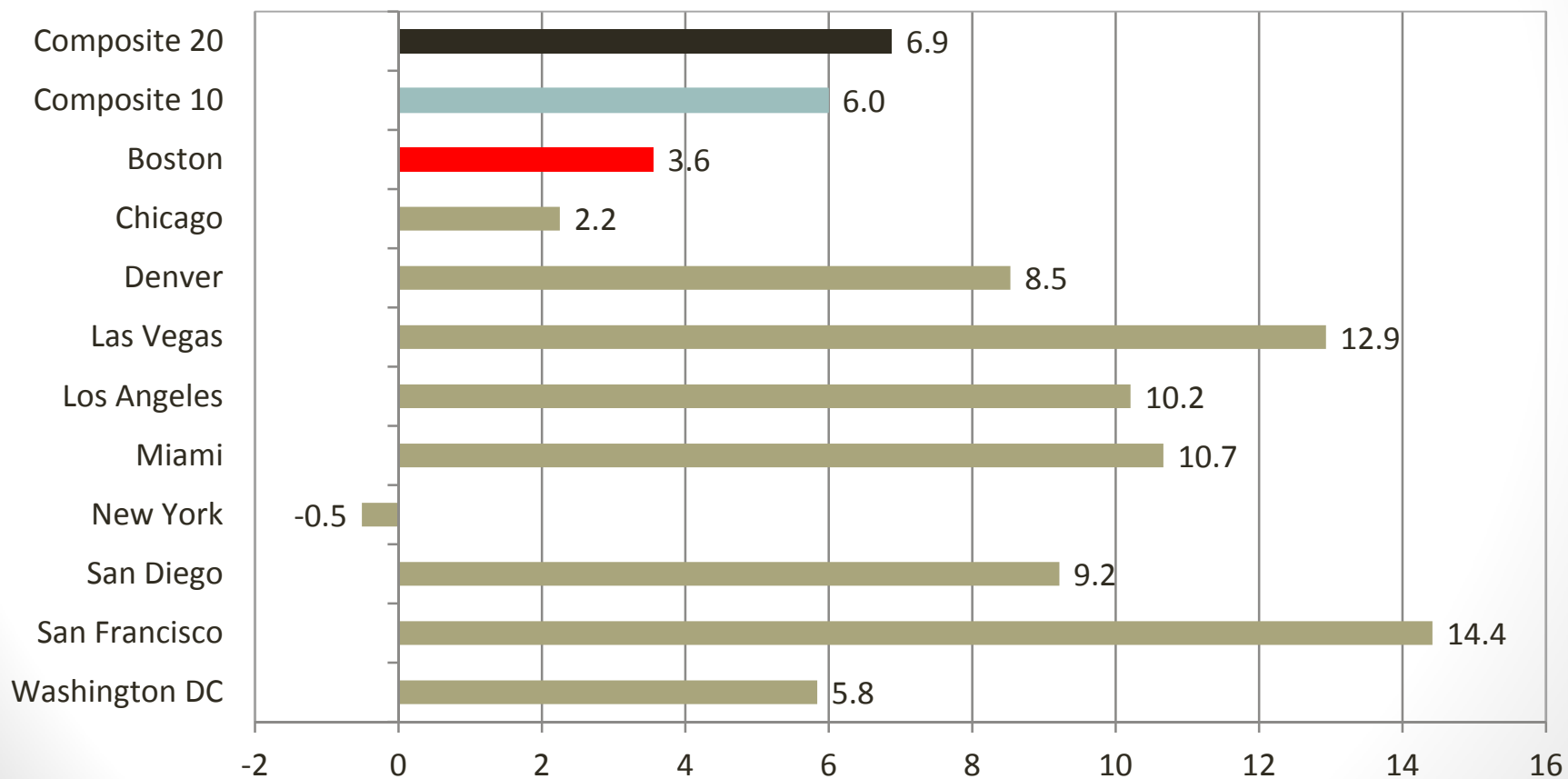


Source: S&P/Case-Shiller, NBER, Haver Analytics

Over 2012, prices in Boston increased but lagged behind most of the Composite 10 cities.

### S&P/Case Shiller Home Price Indices

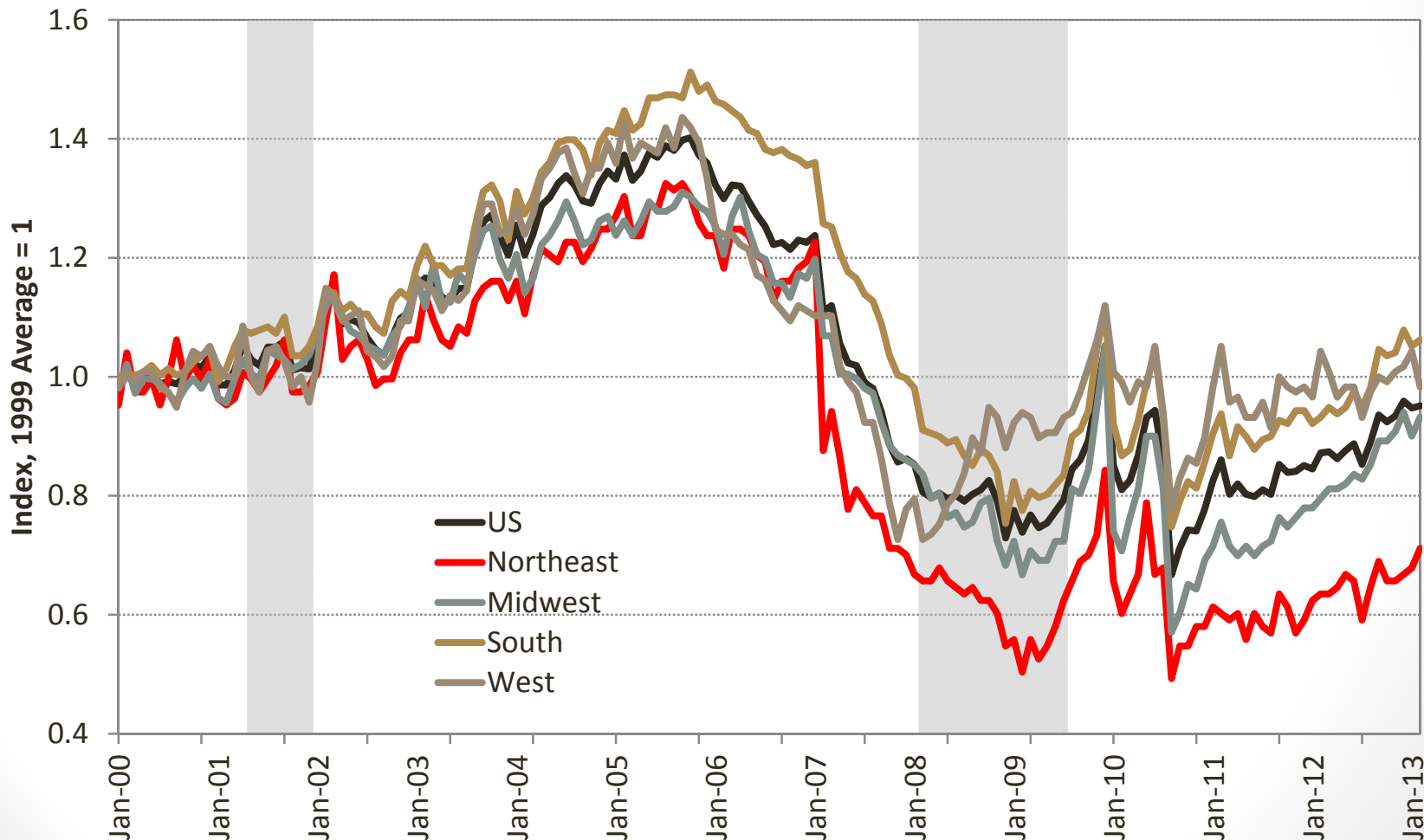
Percent Change, Dec-11 to Dec-12



Source: S&P/Case-Shiller, Haver Analytics

Existing home sales in the Northeast lag behind the rest of the nation but are starting to catch up.

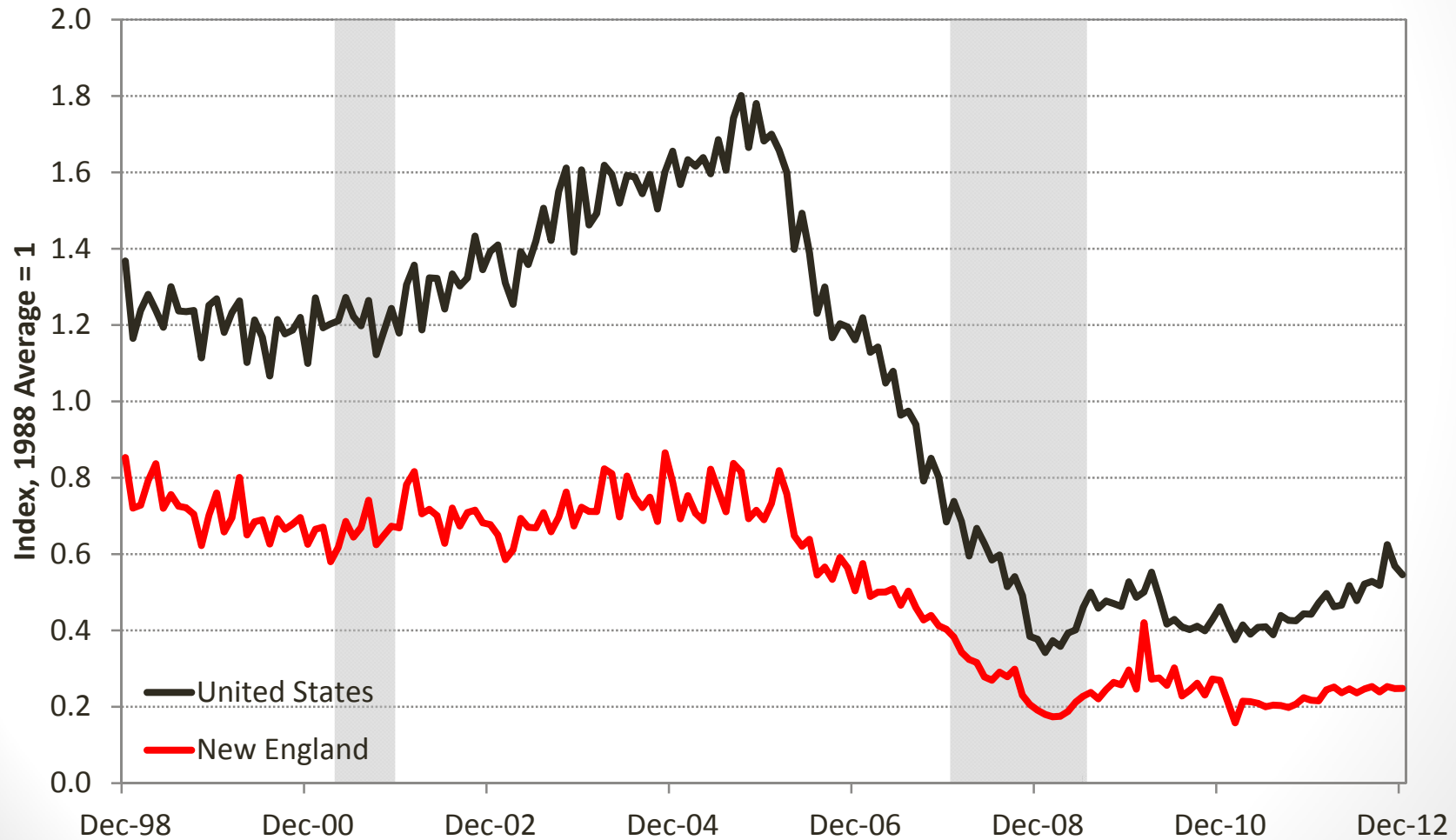
### Total Existing Home Sales Seasonally Adjusted at Annual Rates



Source: National Association of Realtors, NBER, Haver Analytics

Single-family housing permits in New England have shown little increase over the past year.

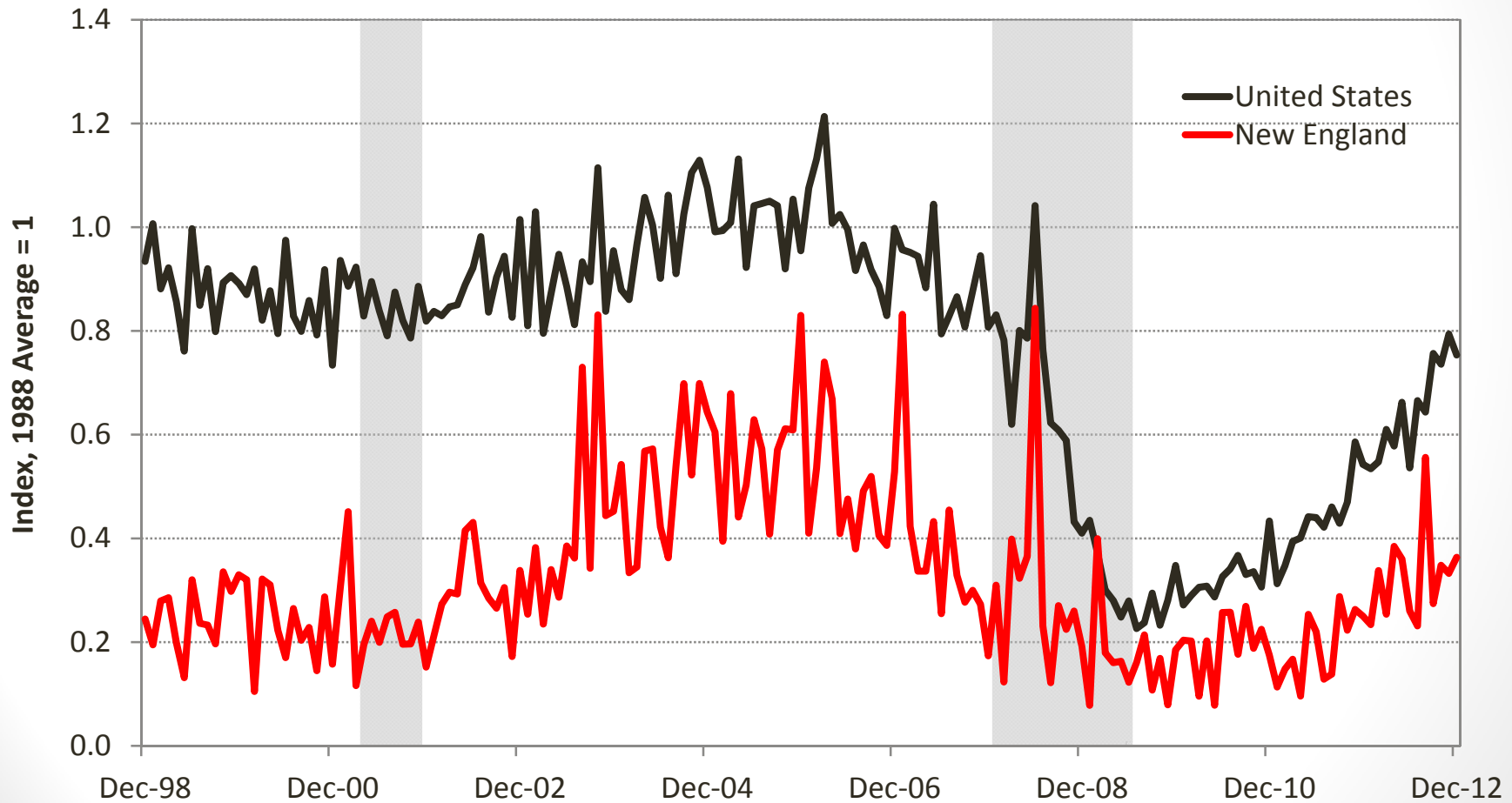
### Single Family Permits



Source: Census Bureau, NBER, Haver Analytics

# Multi-family housing permits in New England are rebounding more strongly.

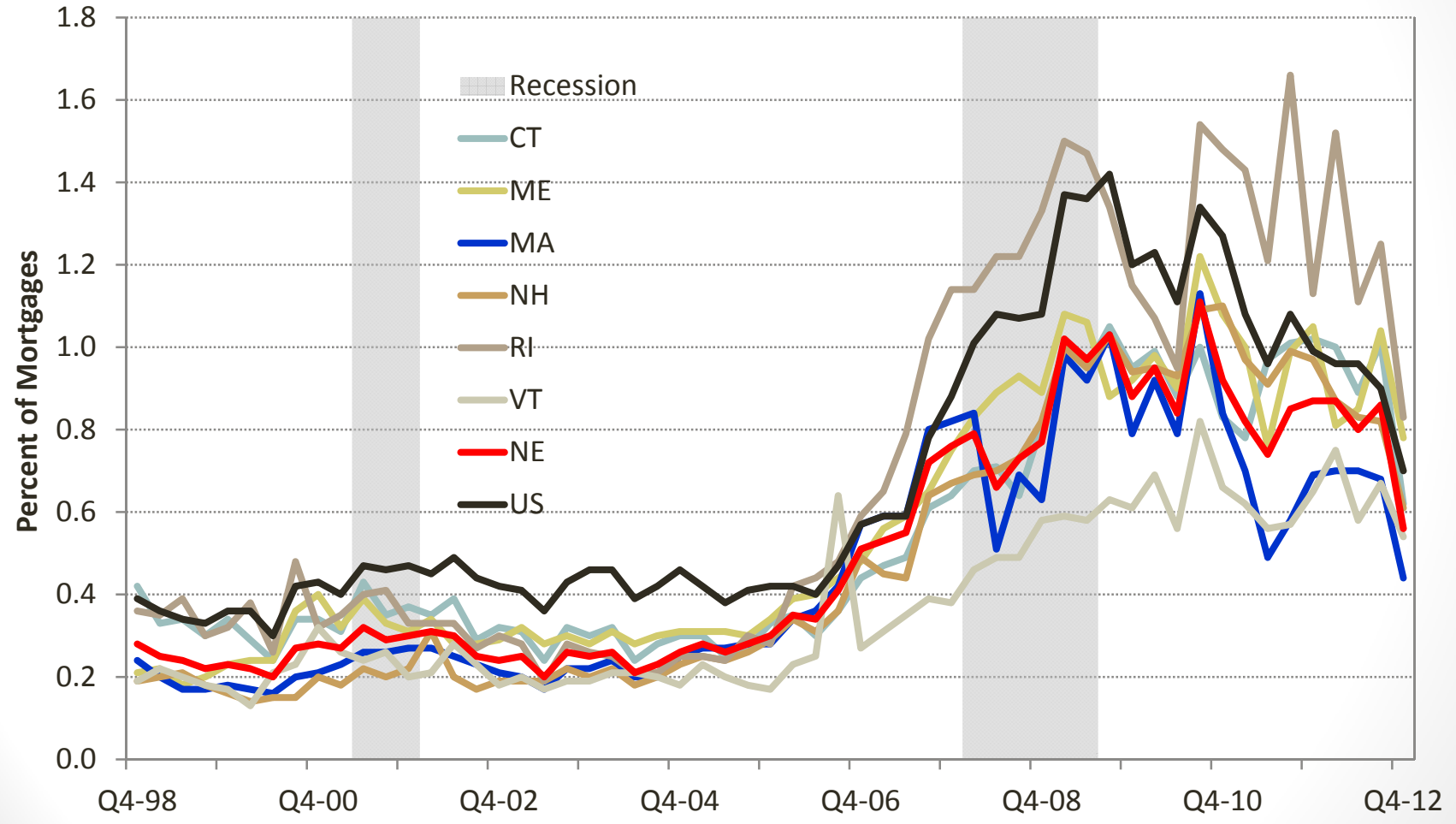
## Multi Family Permits



Source: Census Bureau, NBER, Haver Analytics

Foreclosures have fallen from their peak but remain persistently high compared to historical levels.

### Foreclosures Started, All Loans



Source: Mortgage Bankers Association, NBER, Haver Analytics

# New England Economic Partnership's Economic Outlook

## **Employment**

- Employment forecast to grow more slowly than the nation.

## **Housing**

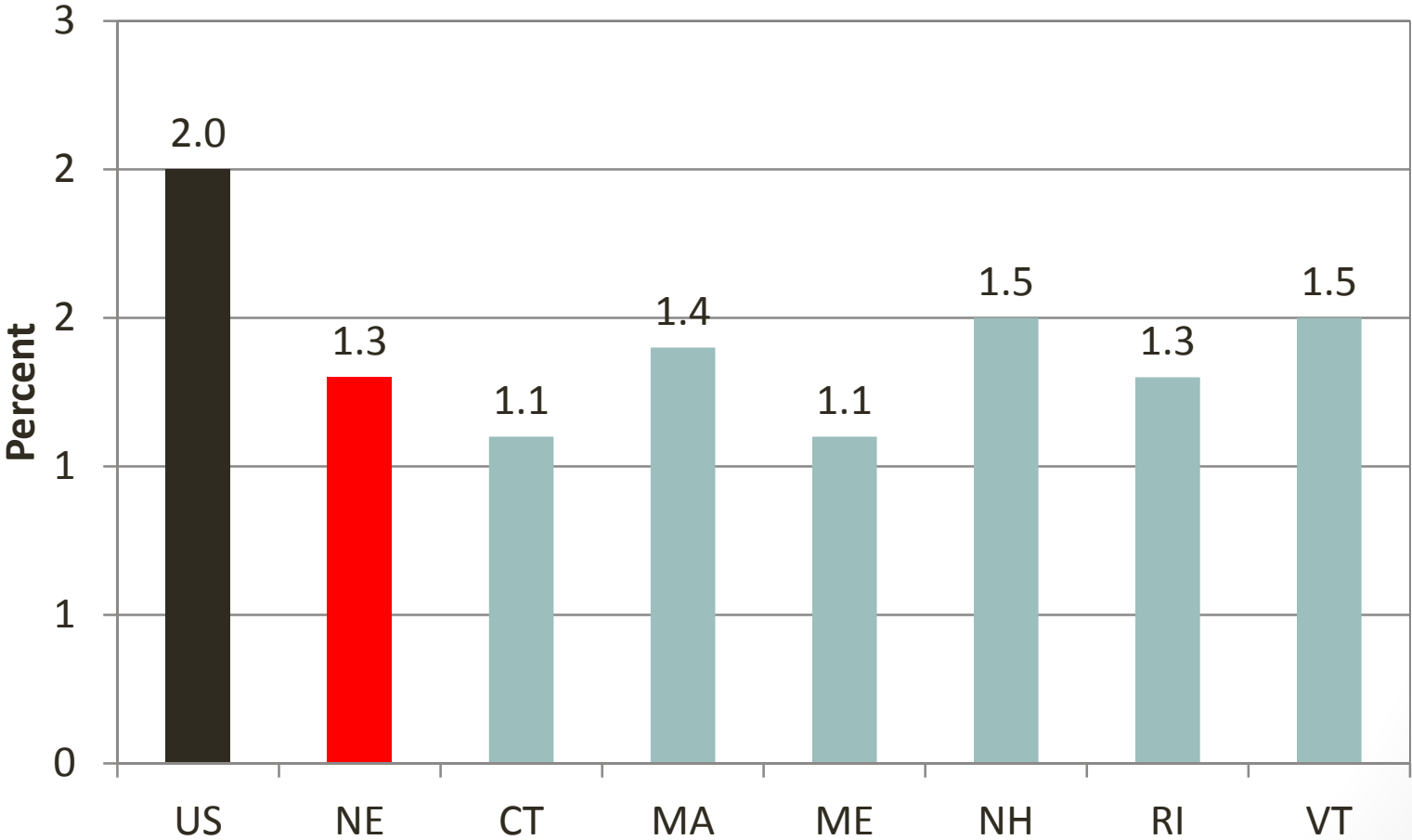
- House prices expected to post steady gains through 2016.

## **Overall Economic Growth**

- Real gross product for the region is expected to grow moderately along with the nation.
- Continued fiscal cliff negotiations are expected to slow growth but not derail the region's recovery.

Employment in New England is expected to grow more slowly than the U.S. over the next 4 years.

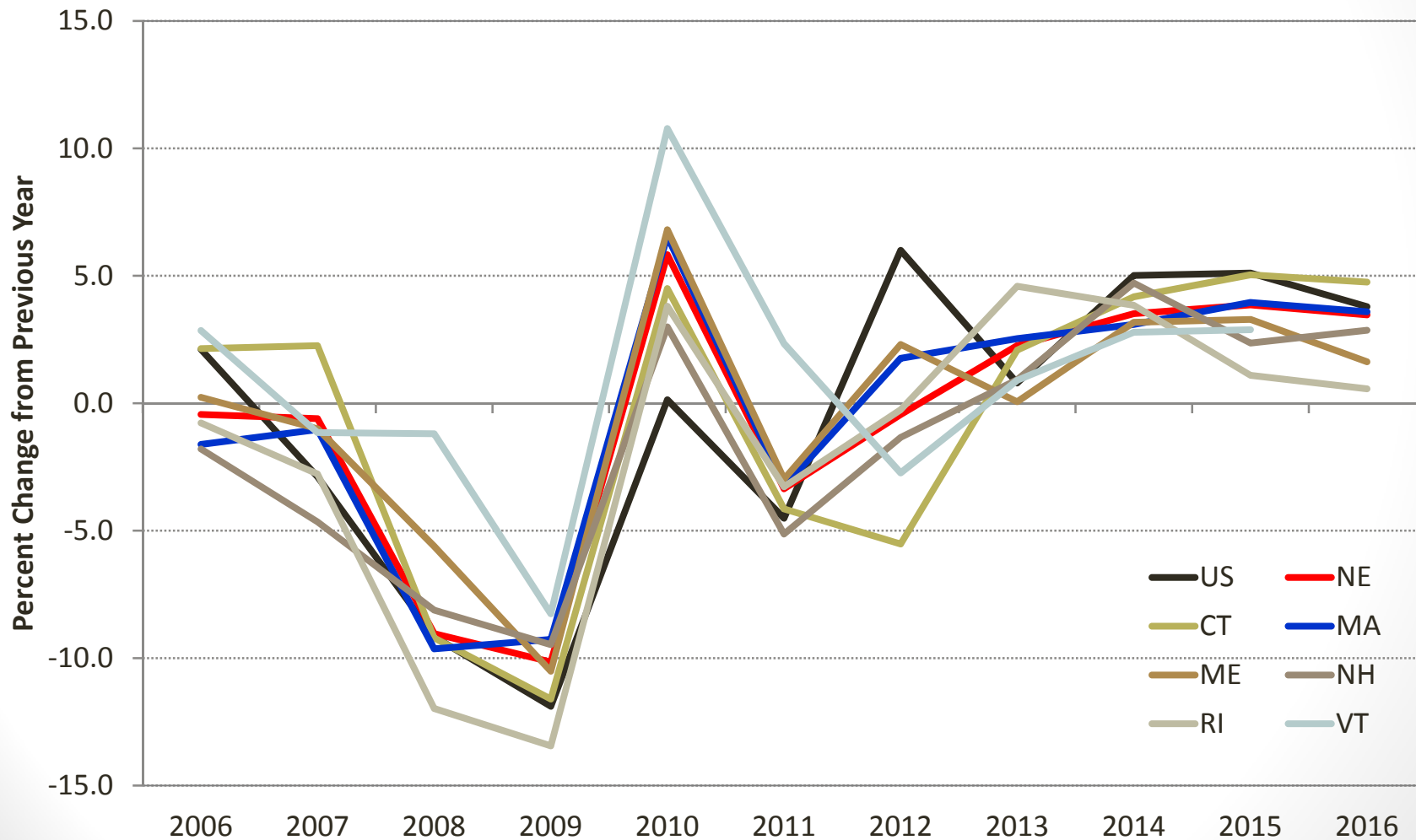
Annual Growth Rate 2012-16: Employment



Source: New England Economic Partnership

# House prices are expected to post steady gains through 2016 for most New England states.

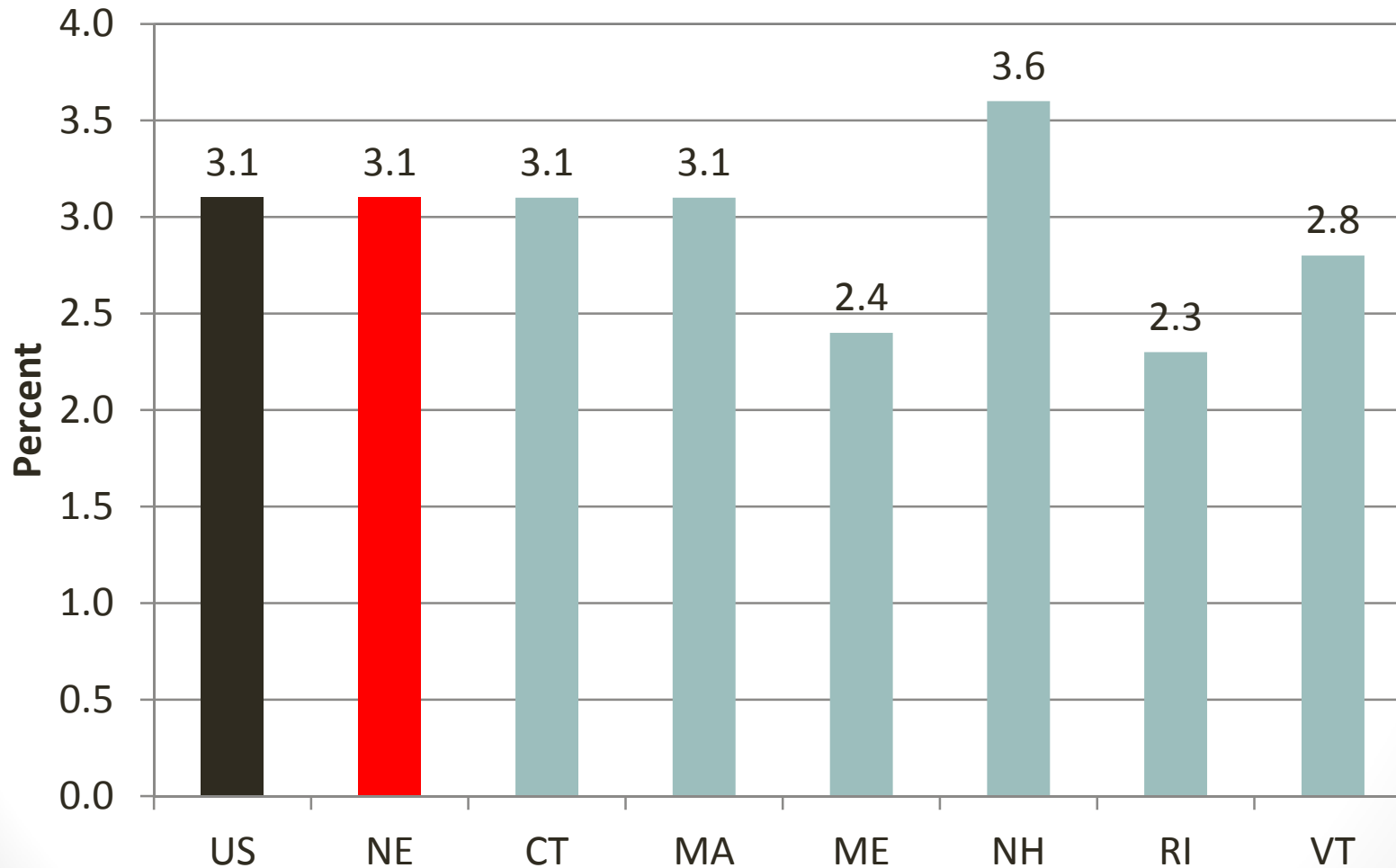
## 2006-2016 Median House Price Change



Source: New England Economic Partnership

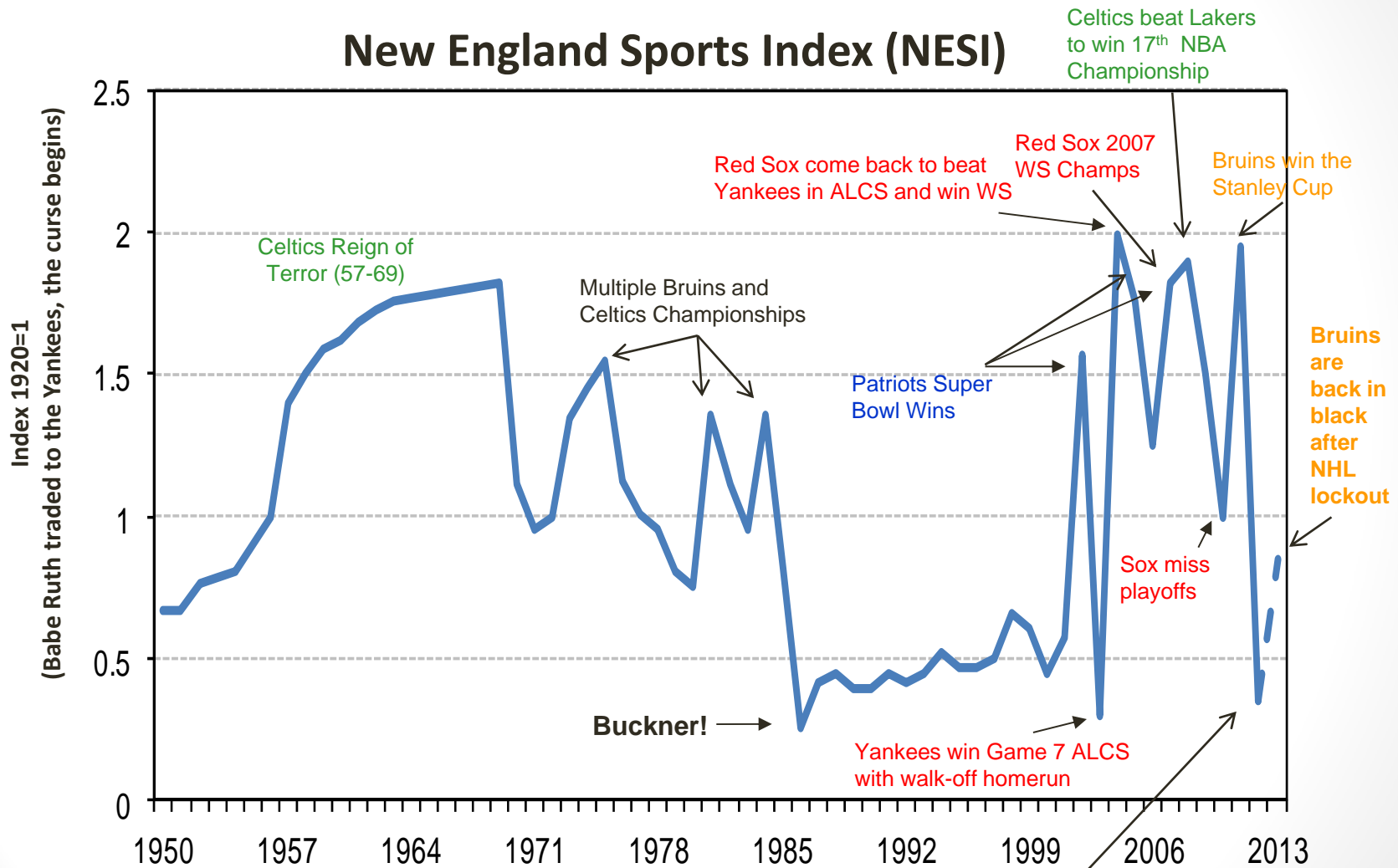
New England is expected to grow slower than the nation on average through 2016.

**Annual Growth Rate 2012-16: Gross State Product**



Source: New England Economic Partnership

# But New England has been through tough times before...



Note: Red Sox given favorable weights.

**Pats defeated by Giants in Superbowl, AGAIN**  
**Celts defeated by Heat in Eastern Conference Finals**  
**Sox first losing season since 1997, worst since 1965**