The Economic Recovery in New England and the Nation

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The economic recovery continues to be slow.

Real Growth in Final Sales* from Trough of Last Four Recessions

*Final sales = GDP less inventory replenishment

Source: BEA and NBER/Haver Analytics
Housing is not playing its usual role in the recovery.

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

Index, Trough=100

- 1984:Q4
- 1991:Q1
- 2001:Q4
- 2009:Q2

Quarters from Trough

Source: BEA and NBER/Haver Analytics
Housing starts and permits remain at one-quarter of their pre-recession peak levels.

Source: Bureau of the Census and NBER/Haver Analytics
Job recovery has varied across the New England states.

Change in Nonfarm Employment from US, NE, or State Trough to September 2011

Source: Calculations Based on Bureau of Labor Statistics Data/Haver Analytics
NE’s construction, government, and financial sectors have fewer jobs now than at the business cycle trough. Other sectors have added jobs.

Percent Employment Change from New England or US trough to September 2011

- Professional and Business Services
- Leisure and Hospitality
- Educational and Health Services
- Trade, Transportation, and Utilities
- Manufacturing
- Financial Activities
- Government
- Construction

Source: Calculations Based on Bureau of Labor Statistics Data/Haver Analytics
New England’s unemployment rate has remained below the national rate and continues to edge down.

Unemployment from 2001 to Present

- Recession
- New England
- United States

Source: Bureau of Labor Statistics/Haver Analytics
“Hidden” unemployment remains a serious problem both nationally and in New England.

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

Note: US data based on four-quarter moving averages while NE data based on twelve-month moving averages.
Rhode Island is the only New England state with higher joblessness than the nation.

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

Note: US data based on four-quarter moving averages while NE and state data based on twelve-month moving averages.
Average house prices have fallen to their 2004 levels.

Source: Federal Housing Finance Authority/Haver Analytics
In general, New England’s housing market has fared better than the nation’s.

Percentage Change in FHFA House Price Index since peaks

Source: Calculations based on Federal Housing Finance Authority/Haver Analytics
Foreclosures have fallen but remain elevated.

Source: Mortgage Bankers Association/Haver Analytics
Massachusetts and Vermont have the lowest foreclosure rates in NE.

Source: Mortgage Bankers Association/Haver Analytics

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<thead>
<tr>
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<th>Actual</th>
<th>November 2011 Forecast</th>
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<tbody>
<tr>
<td></td>
<td>CY 2011</td>
<td>CY 2011</td>
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<tr>
<td></td>
<td>Q3</td>
<td>Q4</td>
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<tr>
<td>Real GDP growth (%)</td>
<td>2.5</td>
<td>1.6 to 1.7</td>
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<tr>
<td>Unemployment rate (%)</td>
<td>9.1</td>
<td>9.0 to 9.1</td>
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<td>PCE inflation (%)</td>
<td>2.4</td>
<td>2.7 to 2.9</td>
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Note: Table entries are fourth-quarter-to-fourth-quarter growth rates except for the unemployment rate, which is the fourth quarter level. PCE = personal consumption expenditures.
Federal Reserve monetary policy to remain accommodative

- Target federal funds rate remains near zero and is expected to remain in this range until mid 2013.
- Fed rolling over longer-term securities as they mature in an effort to hold-down longer term rates.
- FOMC statement cited downside risks in global financial markets.
- U.S. appears headed toward tighter fiscal policy.

Summary

• The slow but pretty steady recovery has entered its third year.

• New England (except RI) doing better than U.S. by many measures.

• The most pressing risks to the regional economy are outside New England policymakers’ control.