

# New England Economic Conditions and Outlook

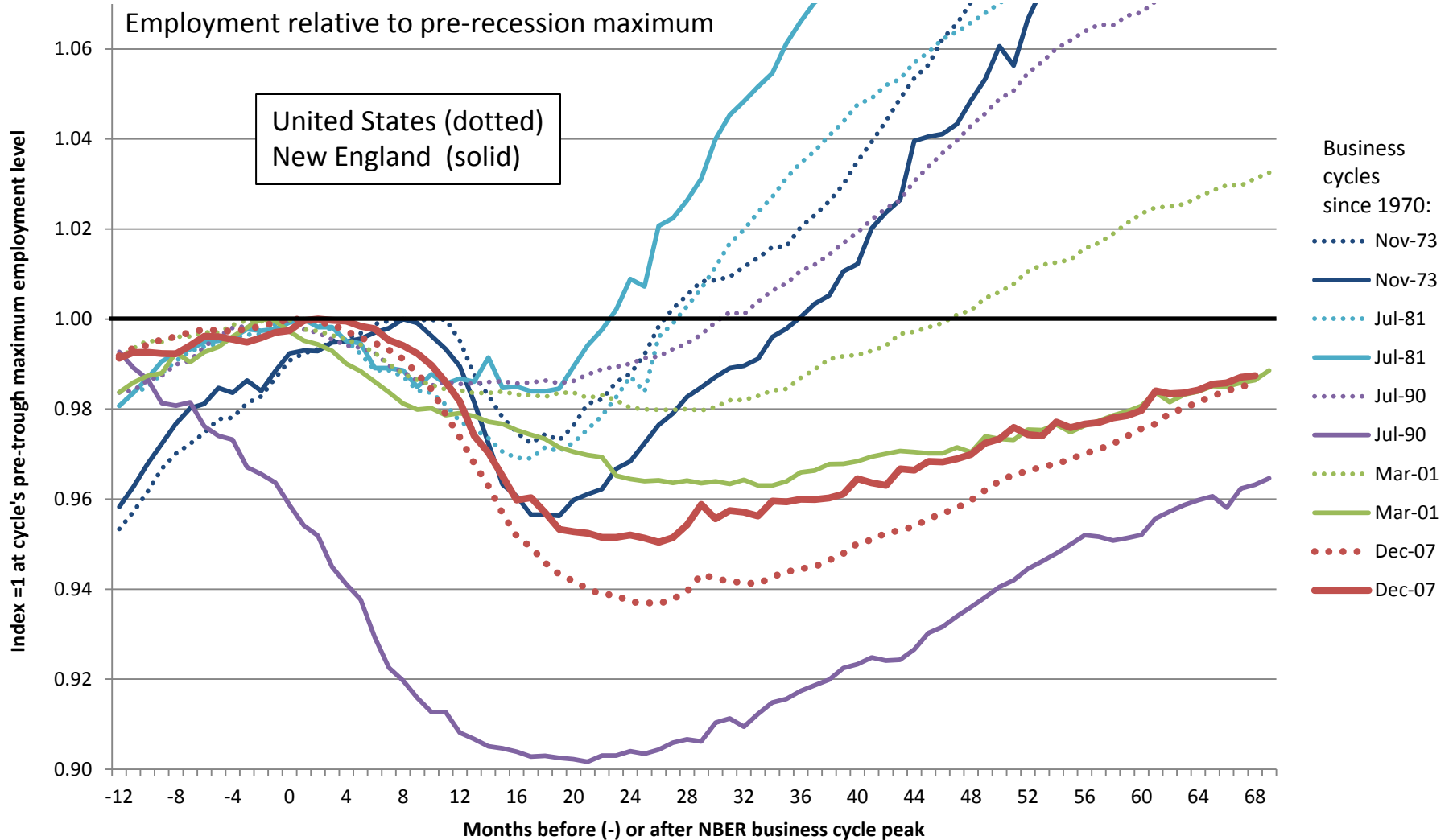
Regional and Community Bankers' Conference  
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Federal Reserve Bank of Boston

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# Overview

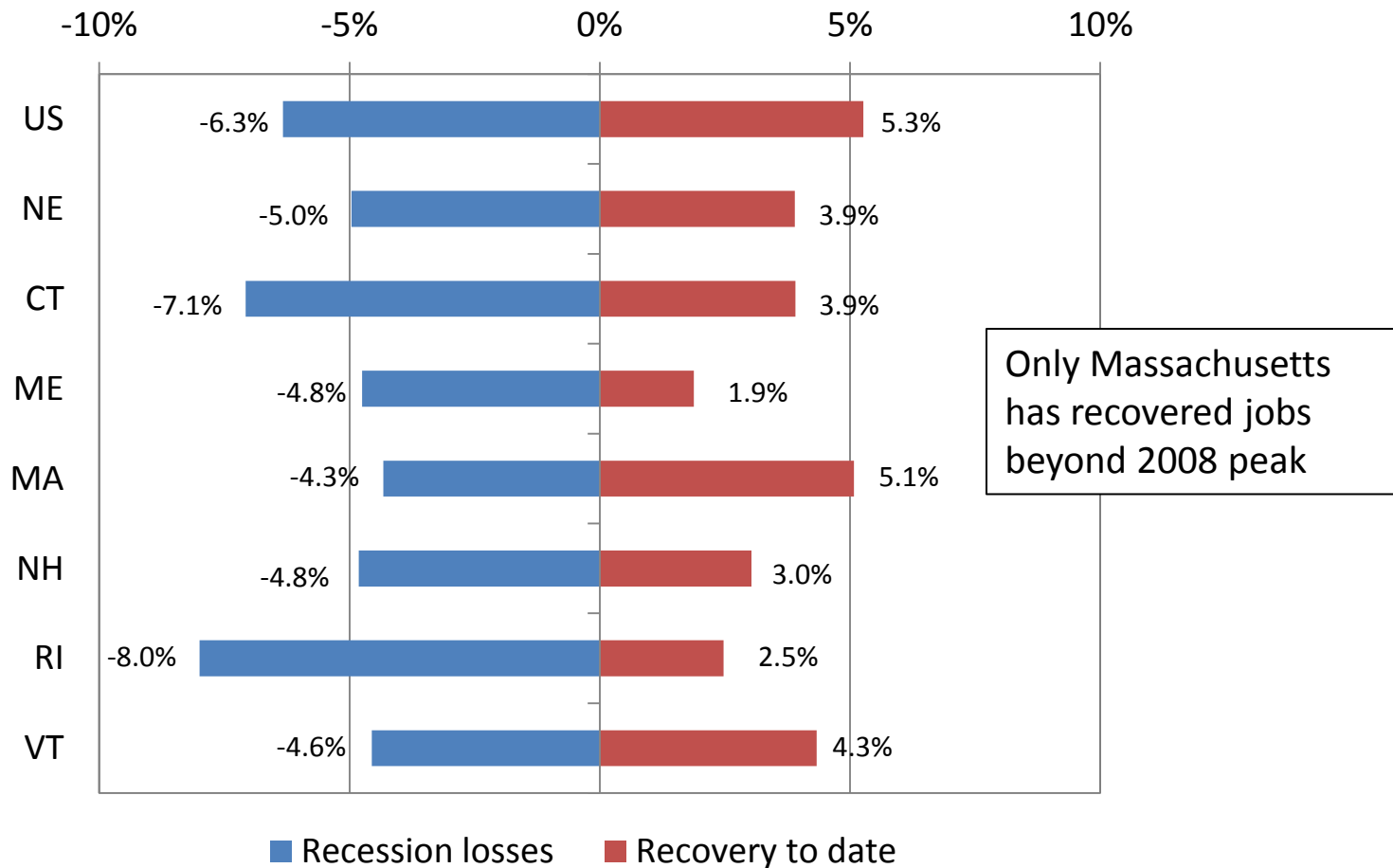
- The Great Recession, recovery to date
  - Labor markets
    - Employment
    - Unemployment/slack
  - Housing markets
- Outlook
  - Indicators
  - key factors, risks

# Great Recession deeper for U.S. than previous post-war cycles...



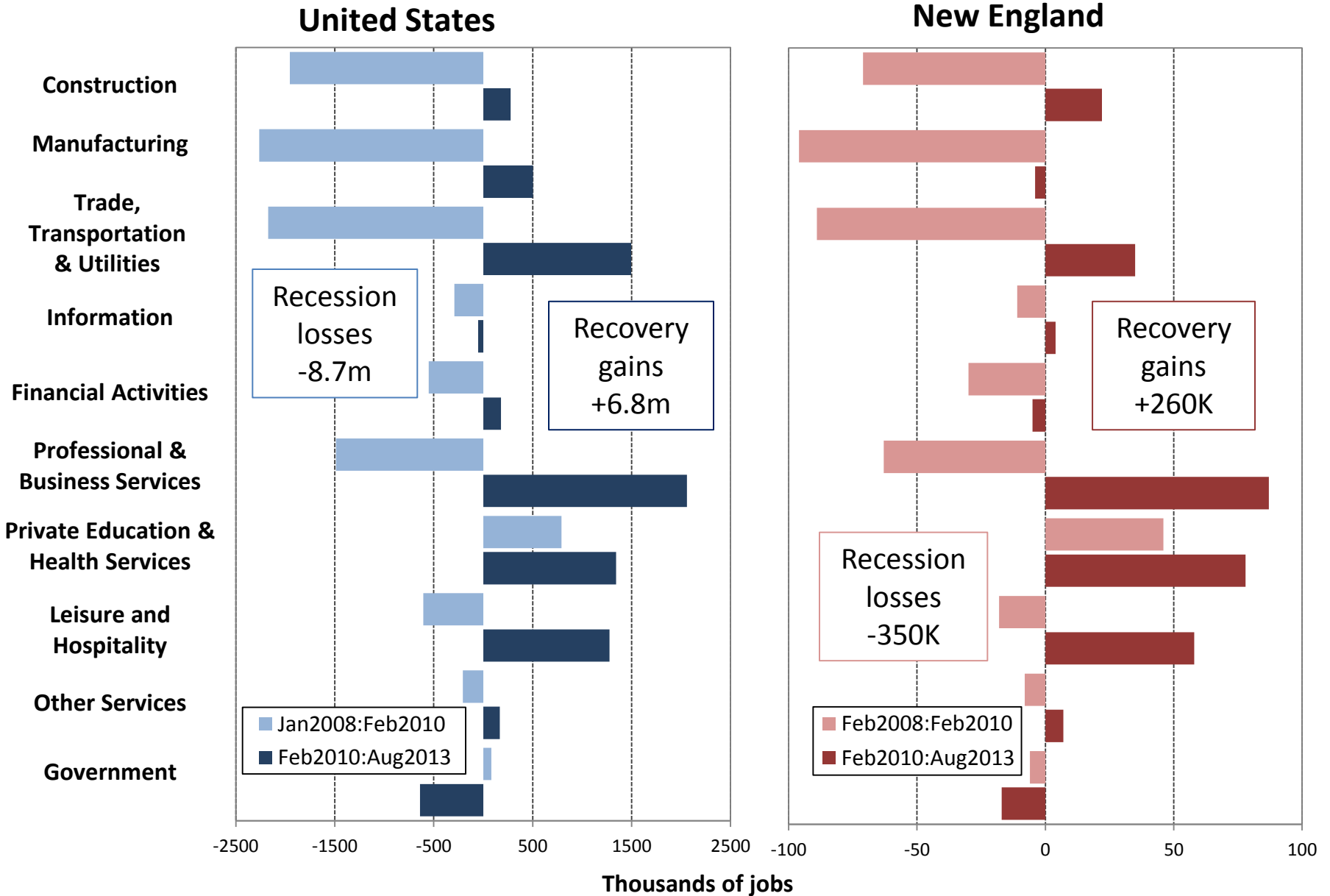
... Lost jobs not yet recovered in New England or nation.

## Recession job losses greatest in Rhode Island and Connecticut. ...other New England states less steep than US.



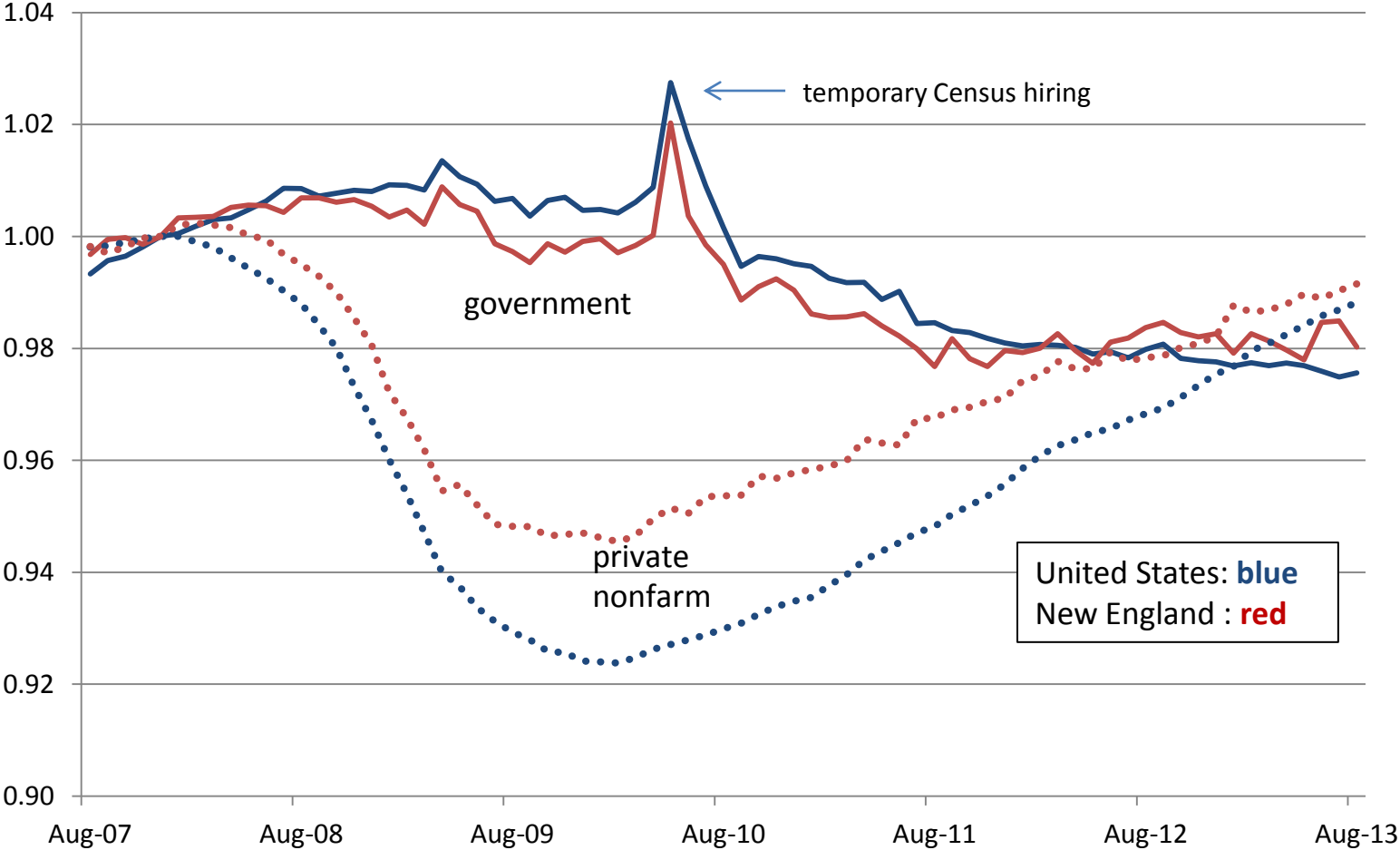
Rhode Island has recovered less than 30 percent of lost jobs.  
...Maine recovery also weaker to date

# Most industries have not yet recovered recession job losses...



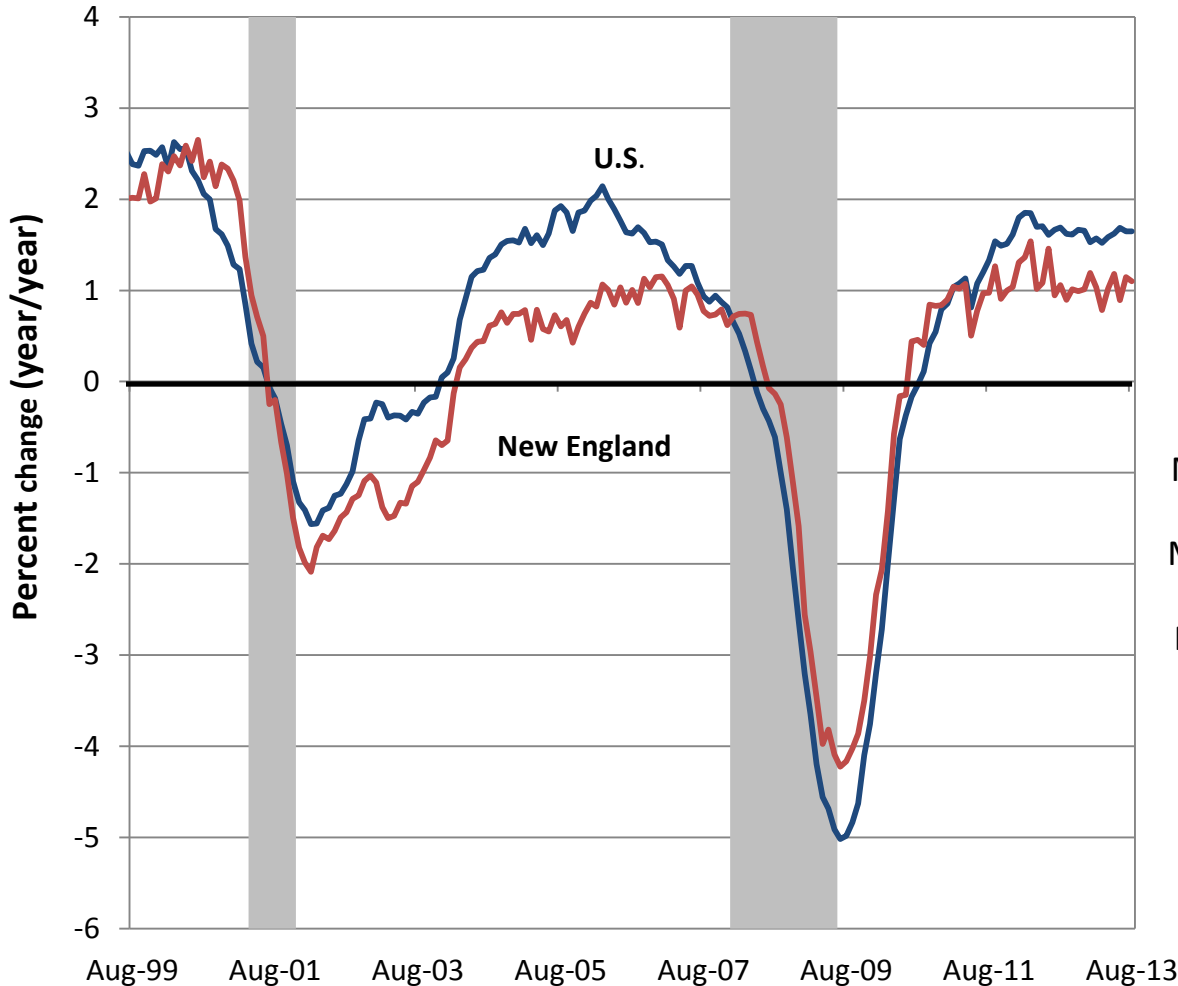
**Recession slashed private employment first, then state and local governments, then federal. Government sector as a whole continues as drag on economy.**

Employment relative to December 2007

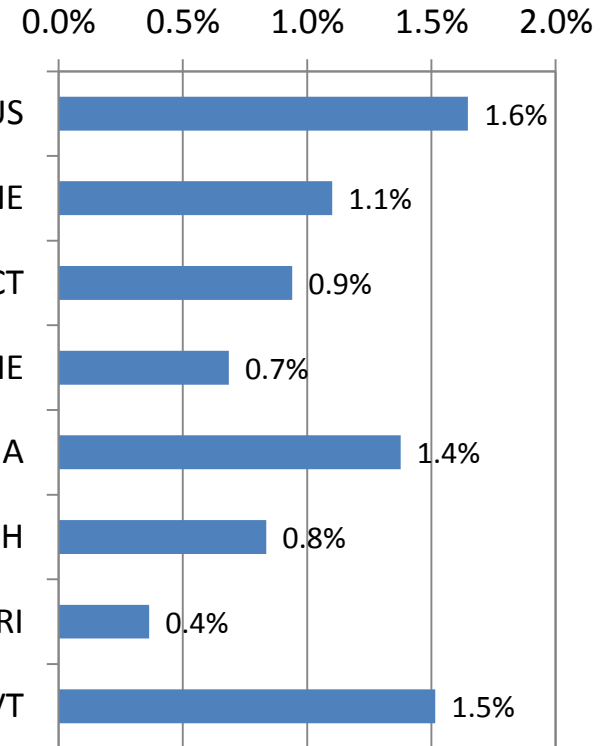


# New England's employment growth continues slower than the nation's... Performance varies considerably across the six New England states.

## Year-over-year employment growth

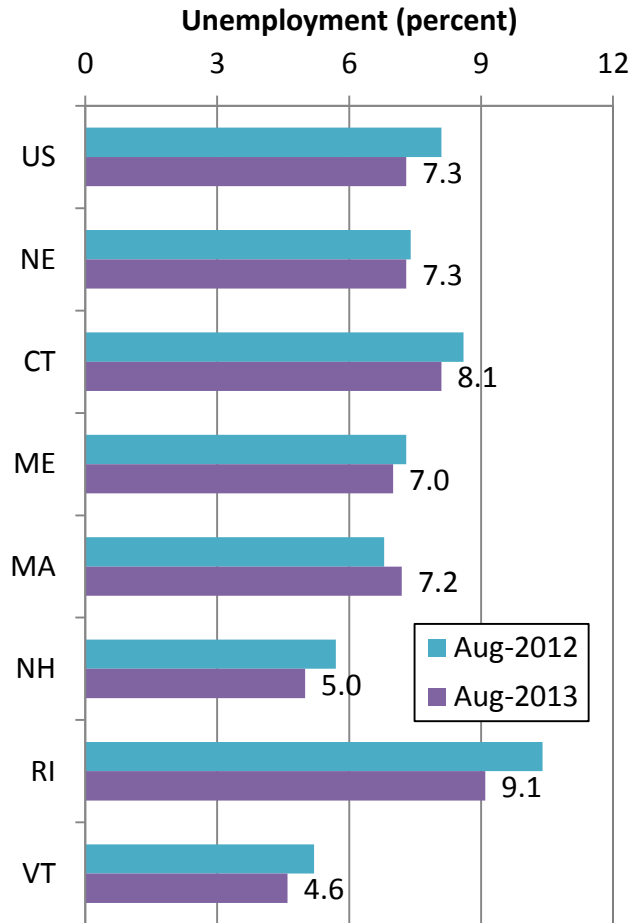
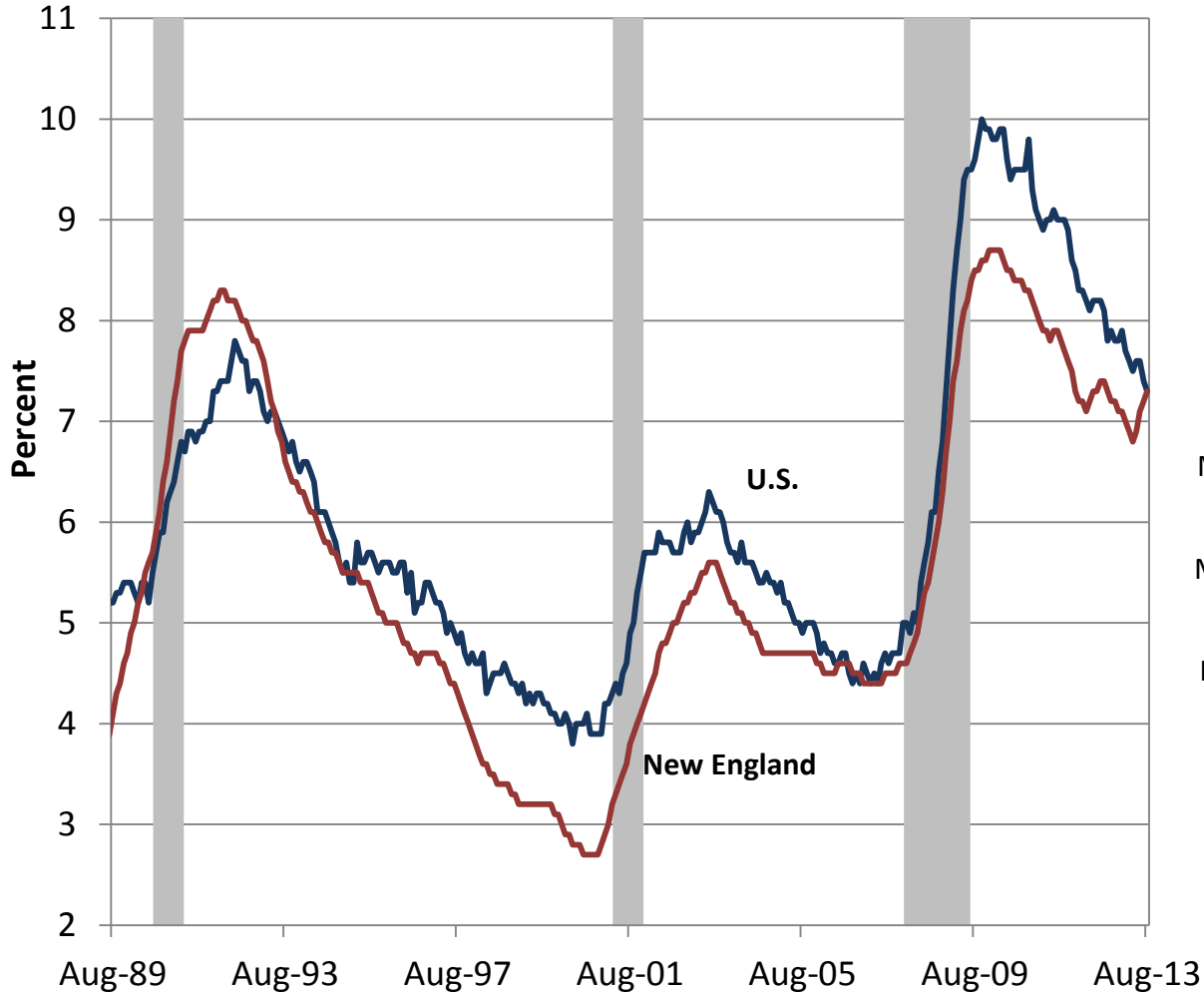


## Most recent 12 months August 2012-August 2013



# Jobless rates are coming down, but less steadily in New England than nationwide

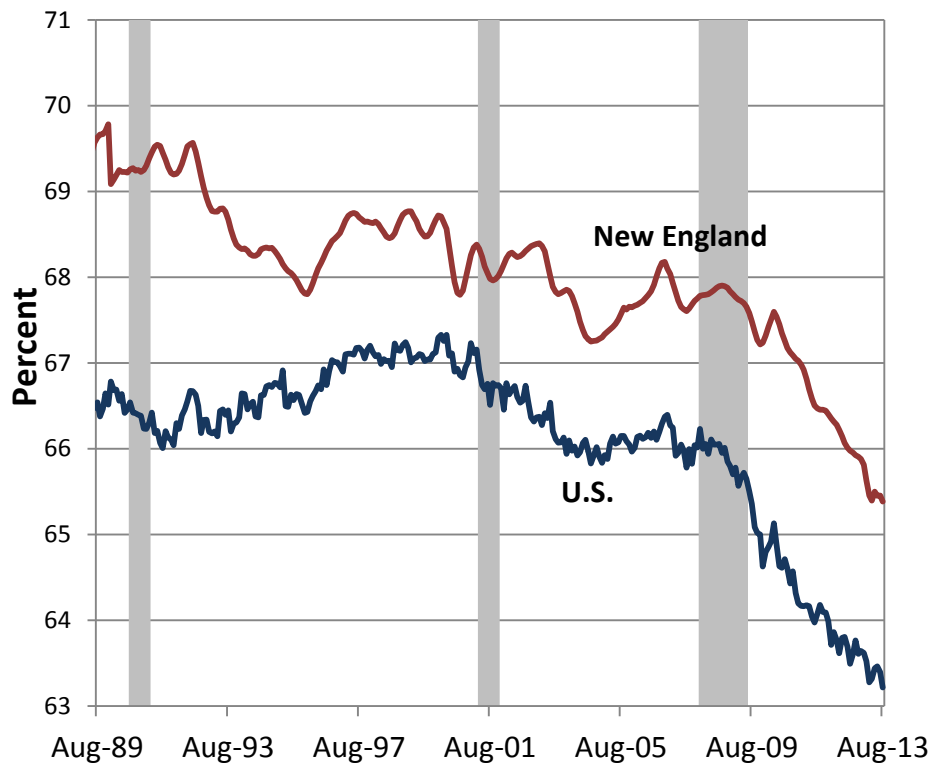
## Unemployment (percent)



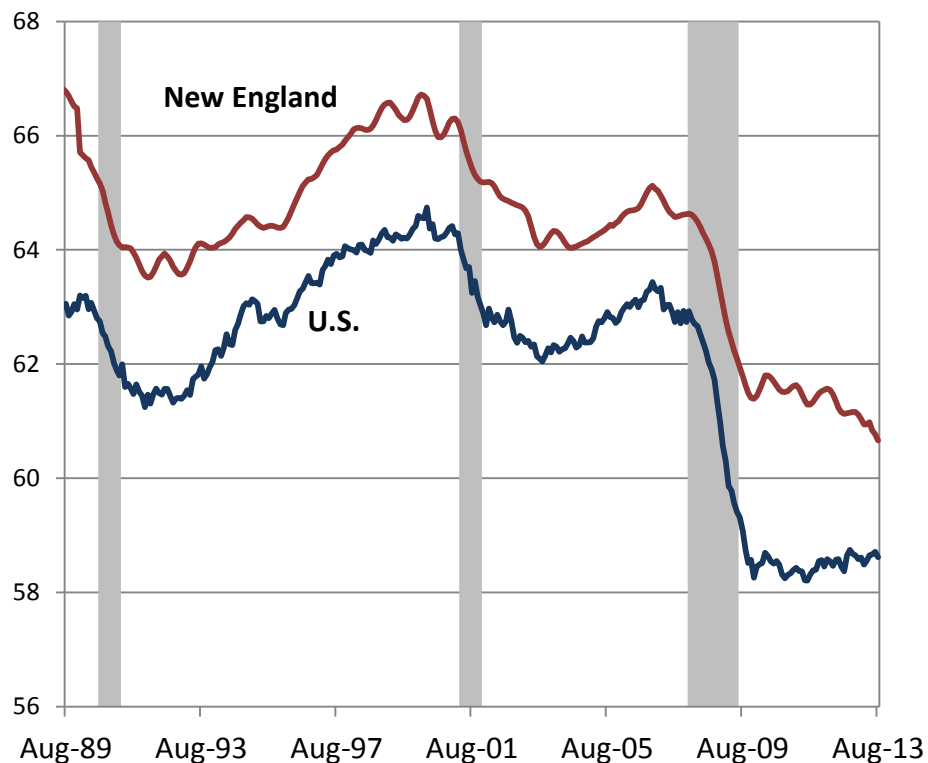


**But unemployment rate decline may overstate improvement →  
People who drop out of labor force not counted as unemployed even if they want a job**

**Labor force participation rates**

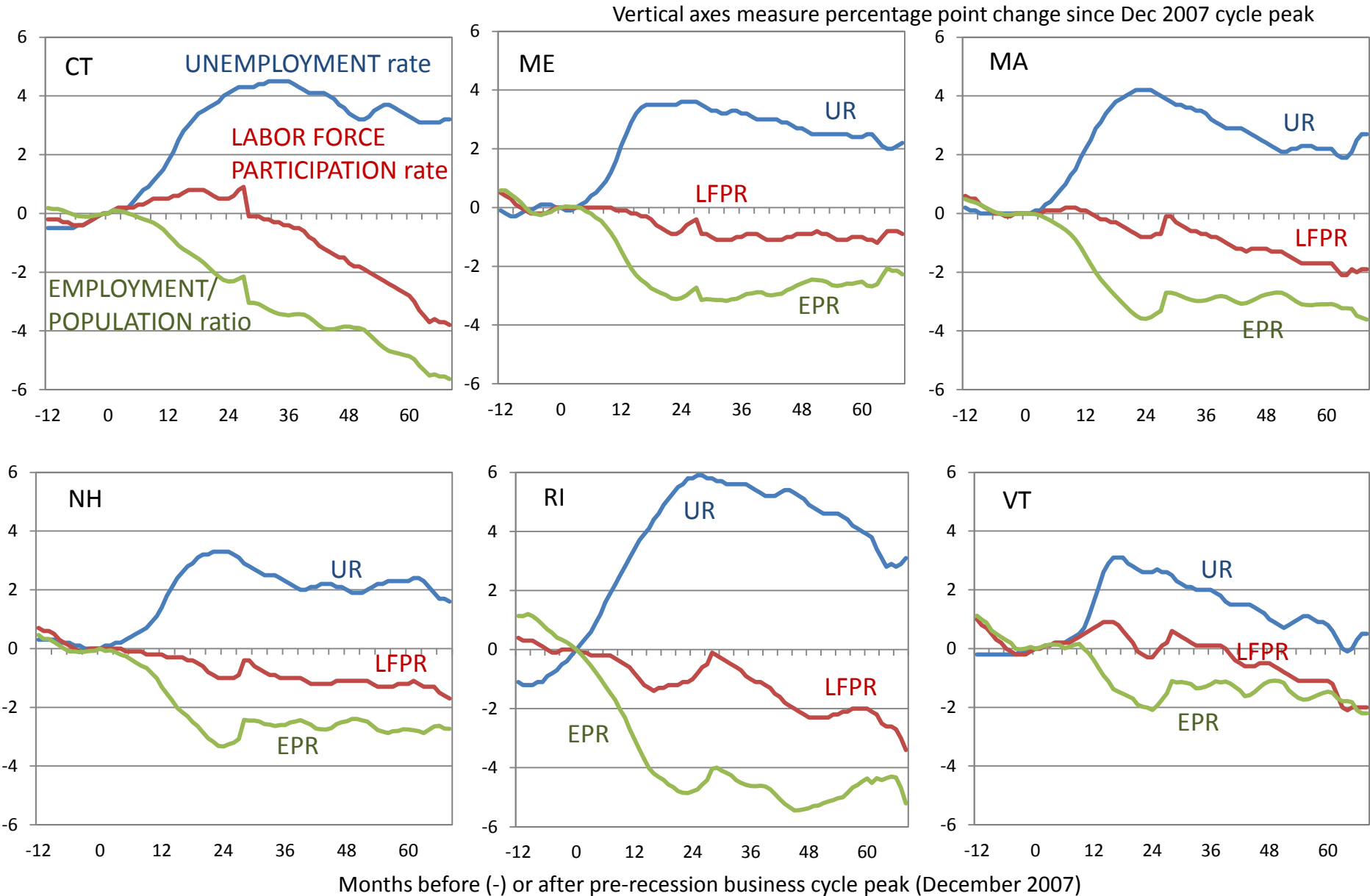


**Employment-population ratios**



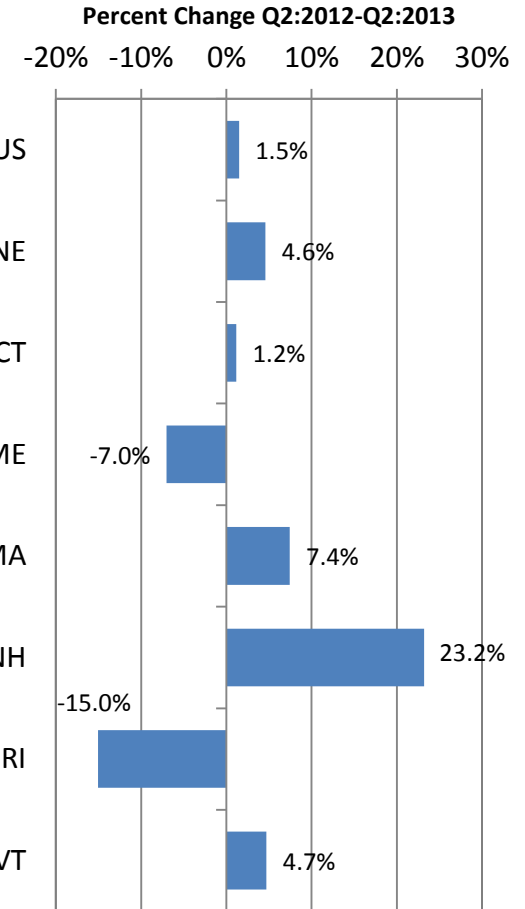
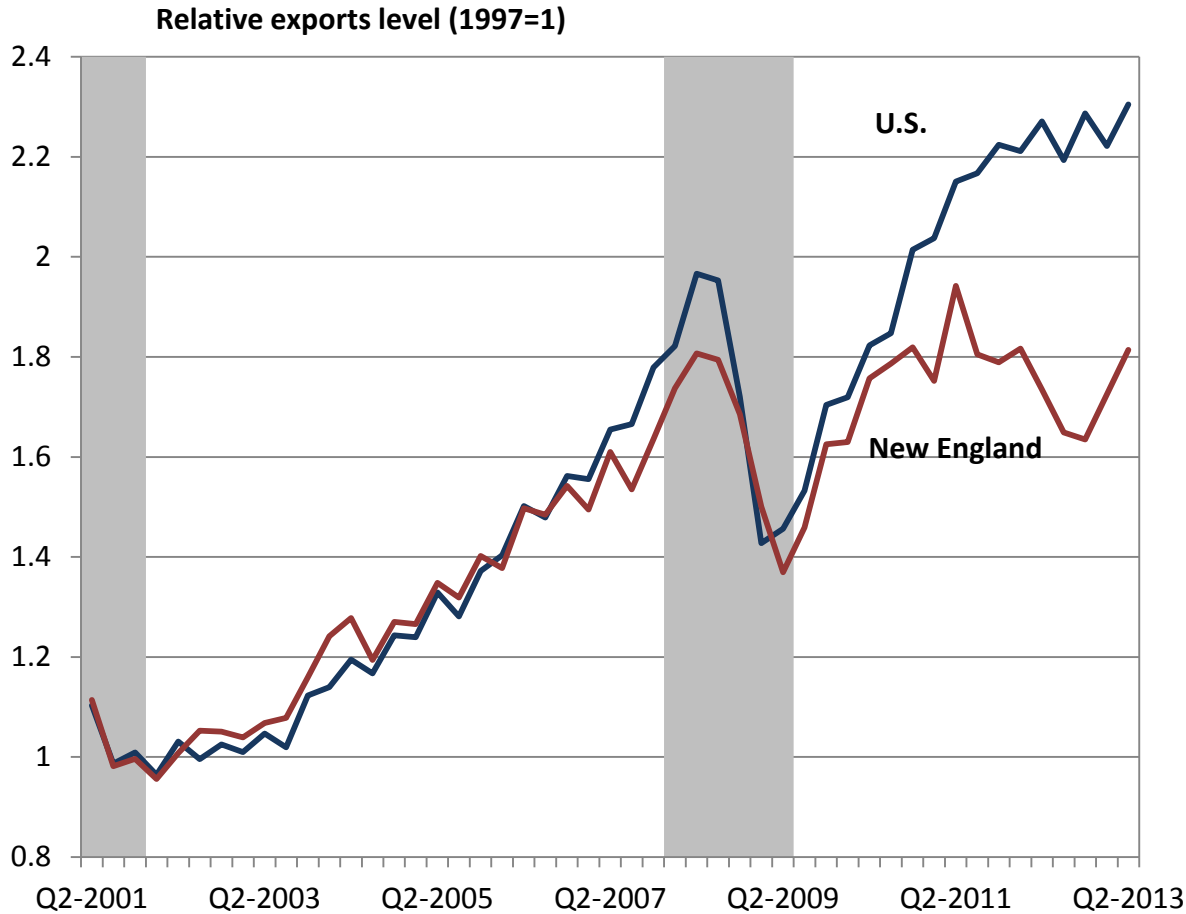
U.S. level, but New England's ratio of employment to population is still declining...

# New England states' labor force and unemployment patterns differ considerably during the recession and recovery...



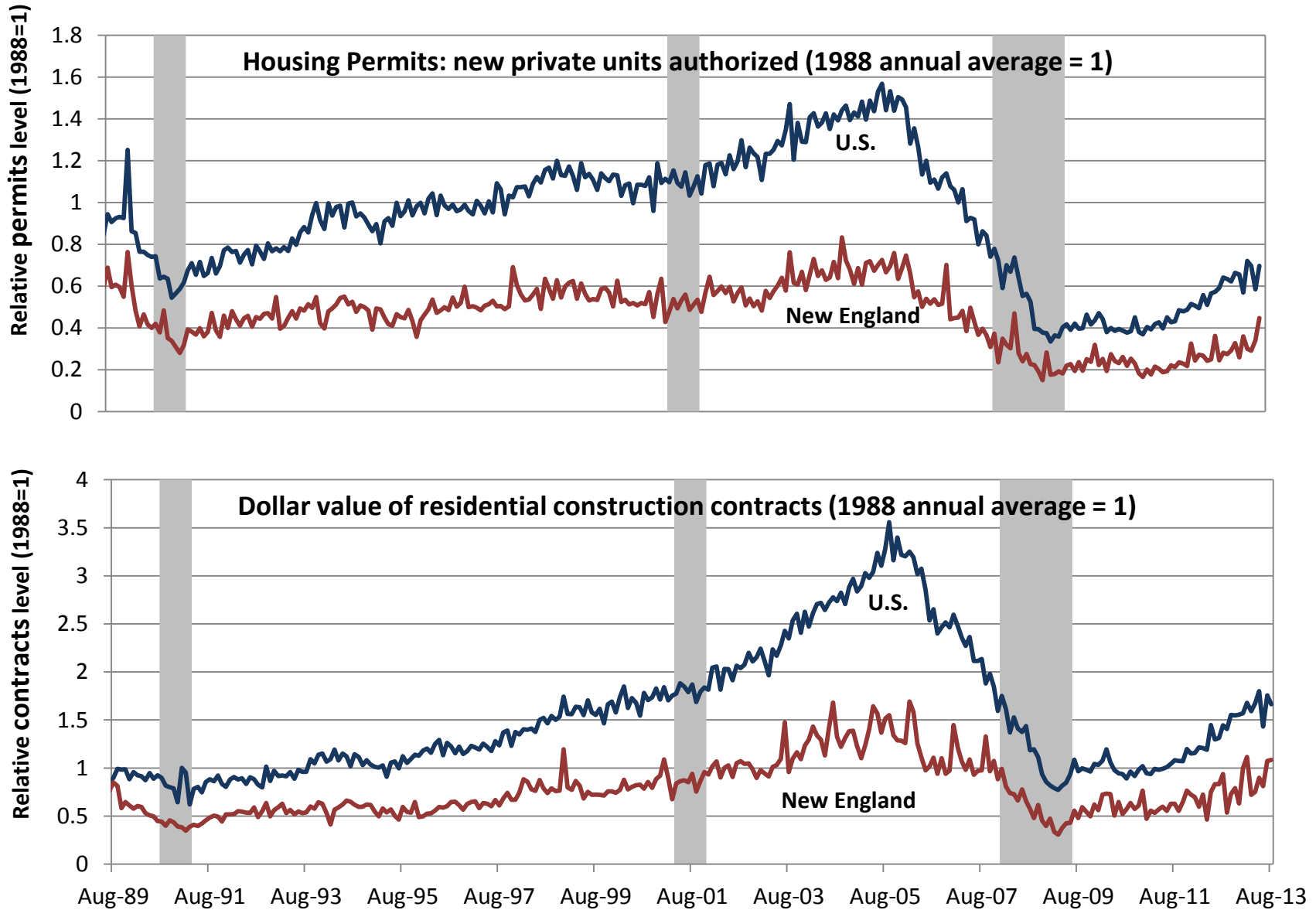
**Exports recovered initially in New England but fell off starting two years ago.  
 ... Region improving recently (2013) but only back to Q2:2008 peak, while U.S. up 17%**

## Merchandise Exports



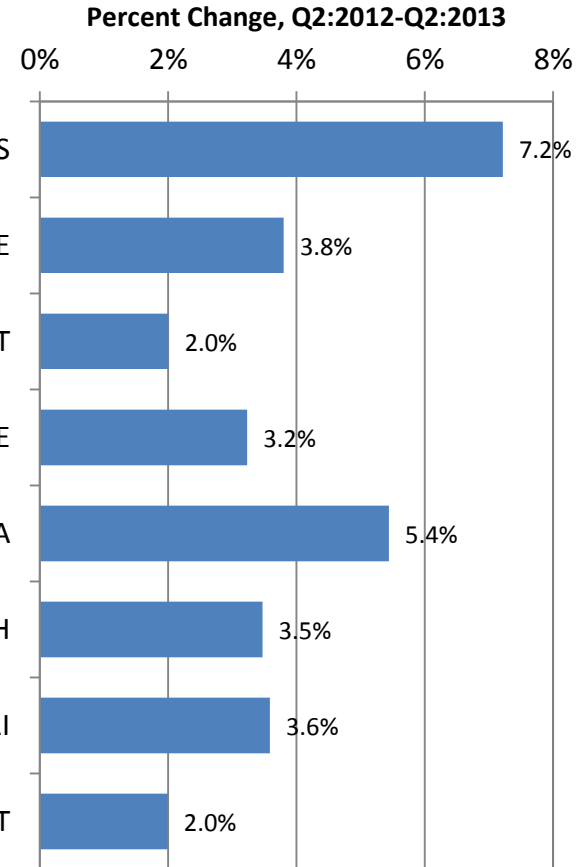
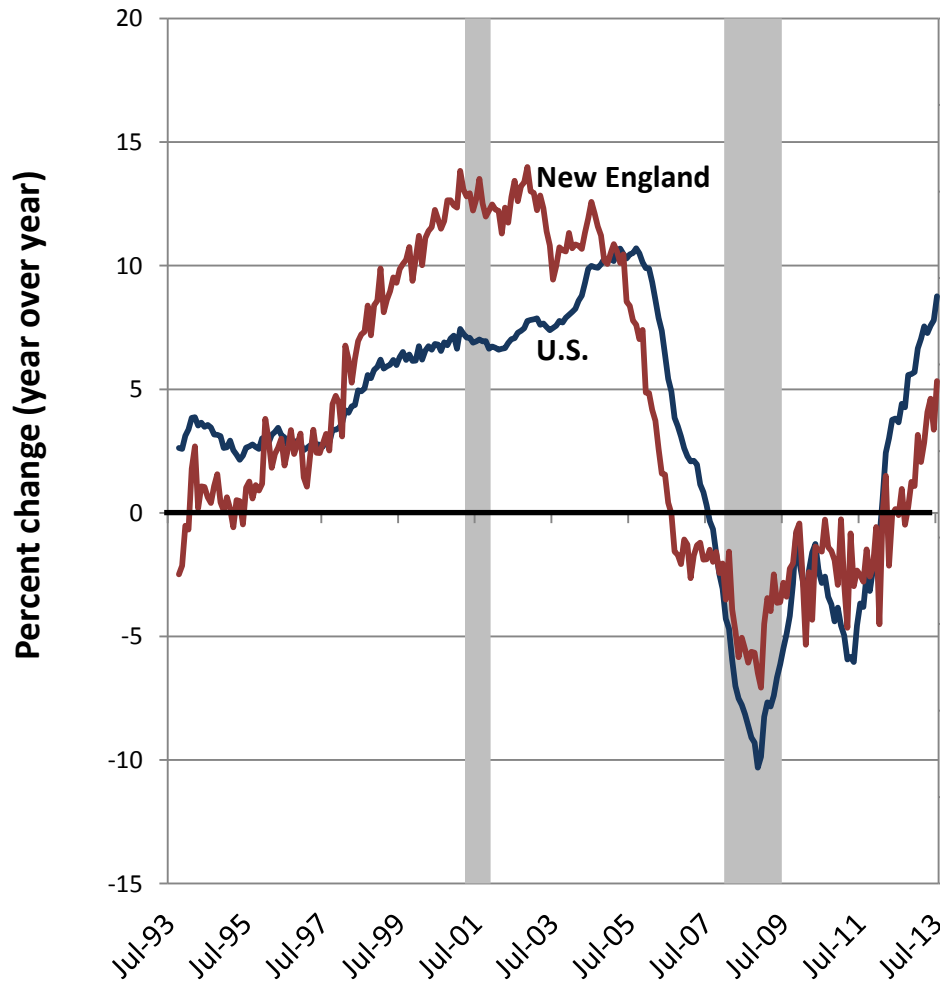
# New housing construction is recovering slowly; New England lags nation.

U.S. and New England permit figures now up to levels reached at BOTTOM of 1990 recession



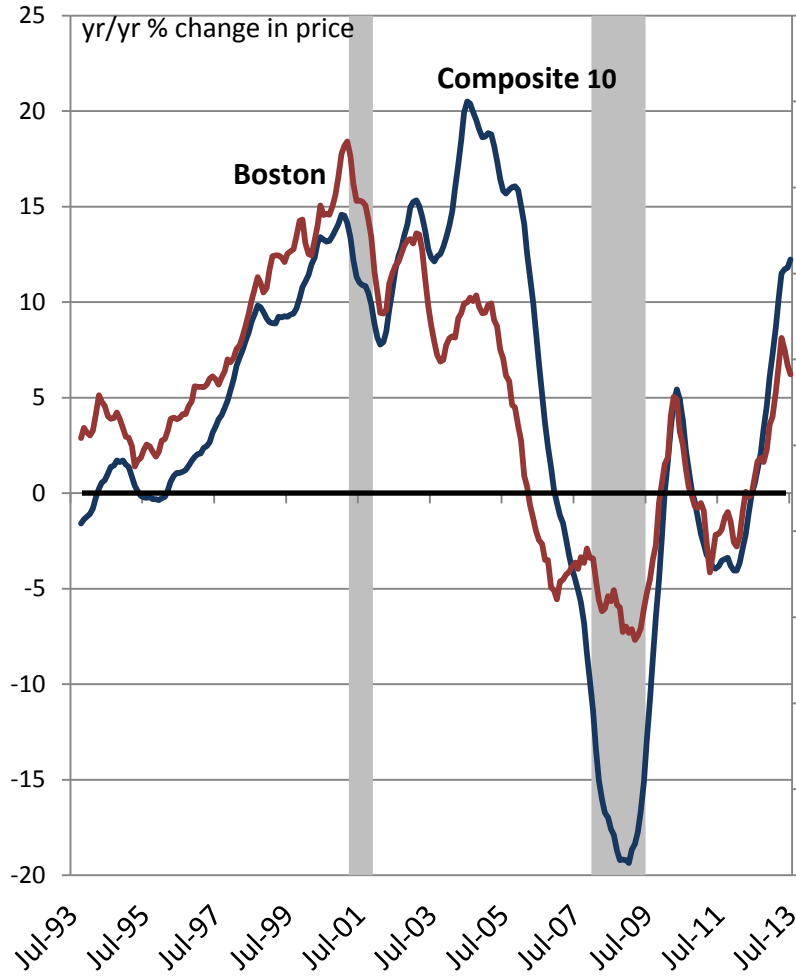
# Home prices are picking up in New England and even more nationwide

## FHFA purchase-only indexes

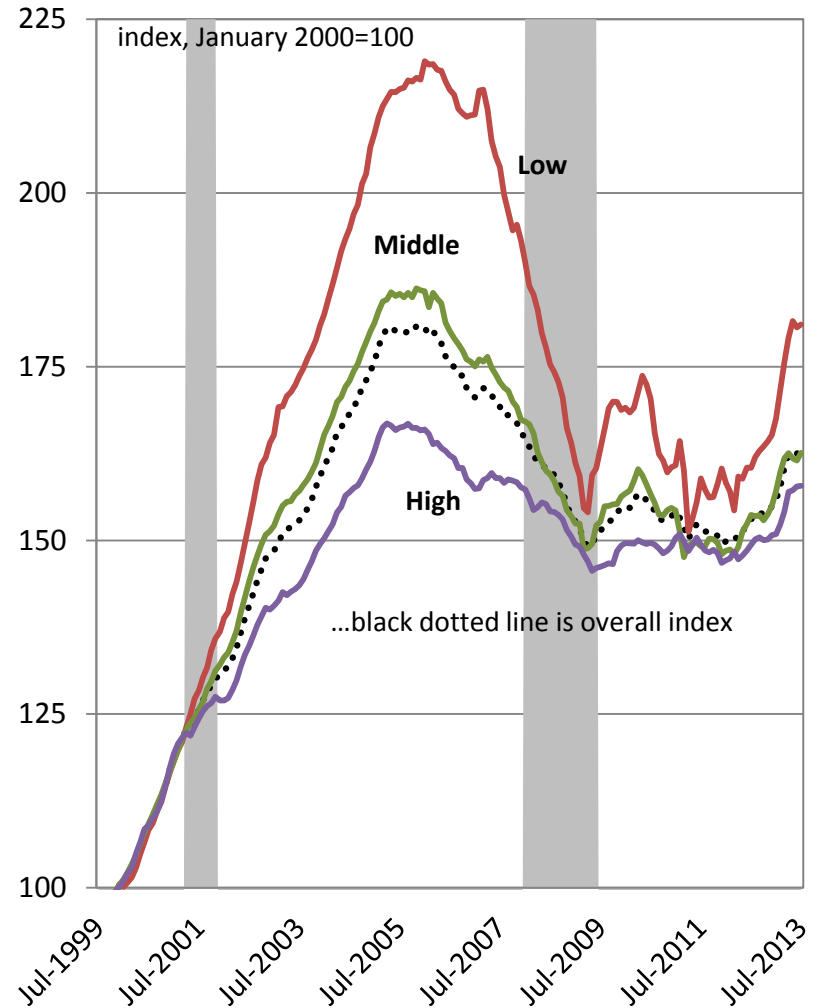


# Boston prices, like those in New England as a whole, are lagging nation's. But trends vary by price tier...

### Case-Shiller metropolitan-area indexes

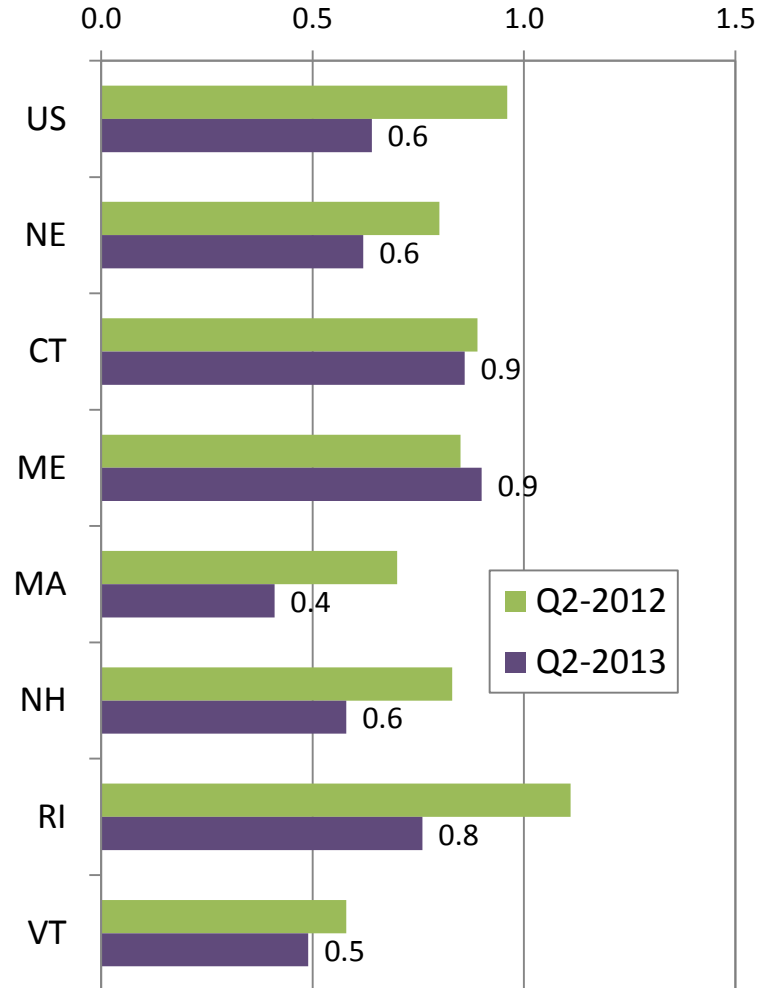
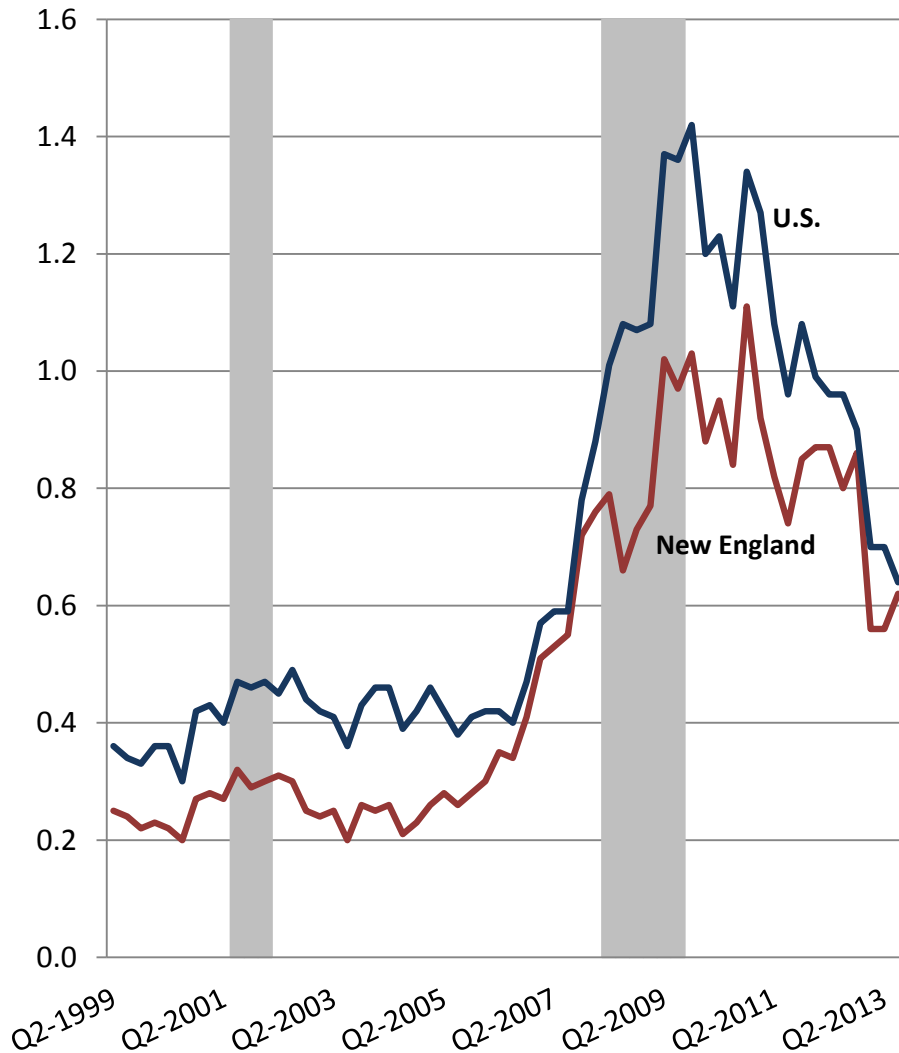


### Case-Shiller Boston indexes by price tier



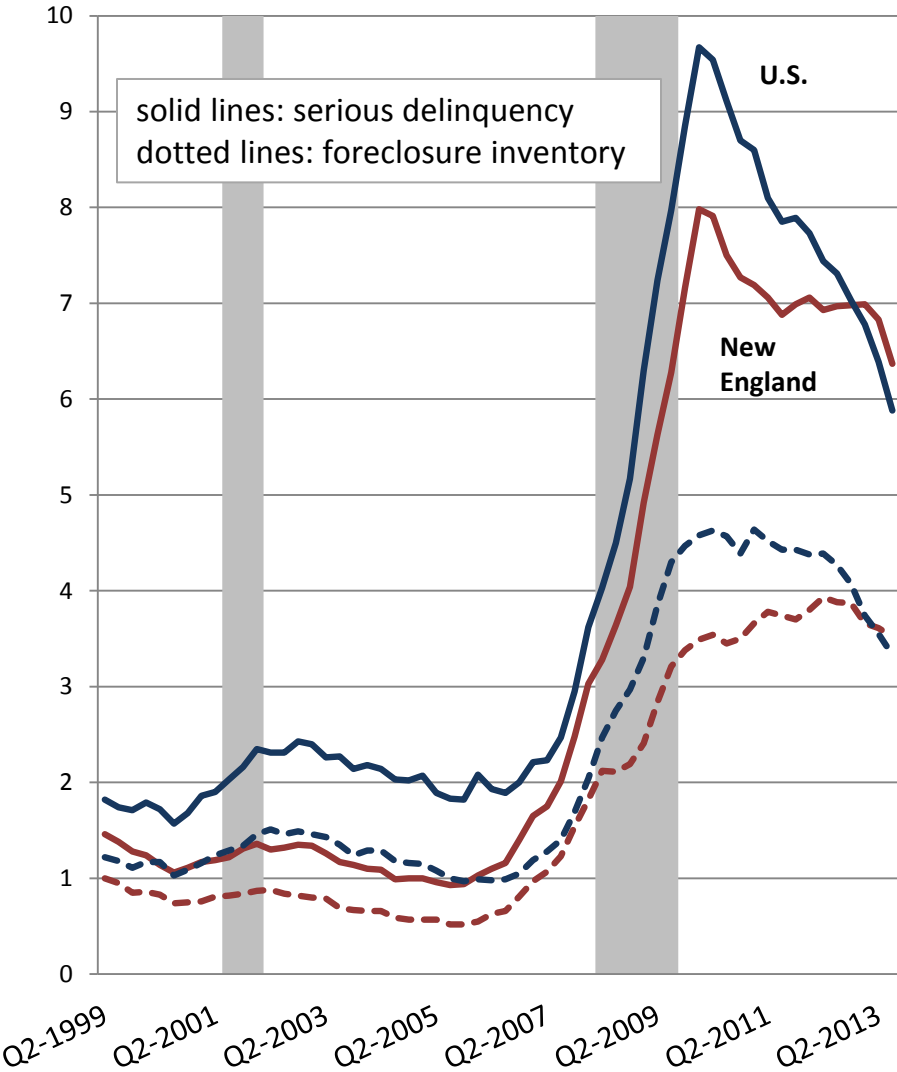
# Foreclosures are coming down, faster nationally than in New England

Foreclosure initiations as % of outstanding mortgages

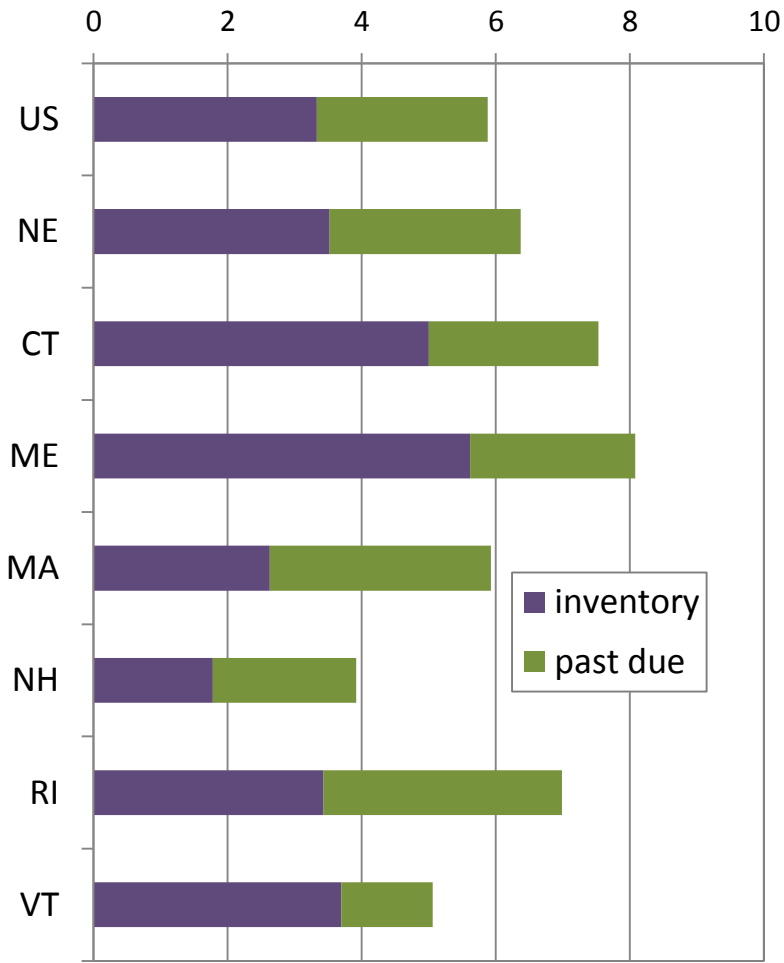


# Foreclosure inventory and 90-plus days past due are also decreasing

Delinquent mortgages (%)



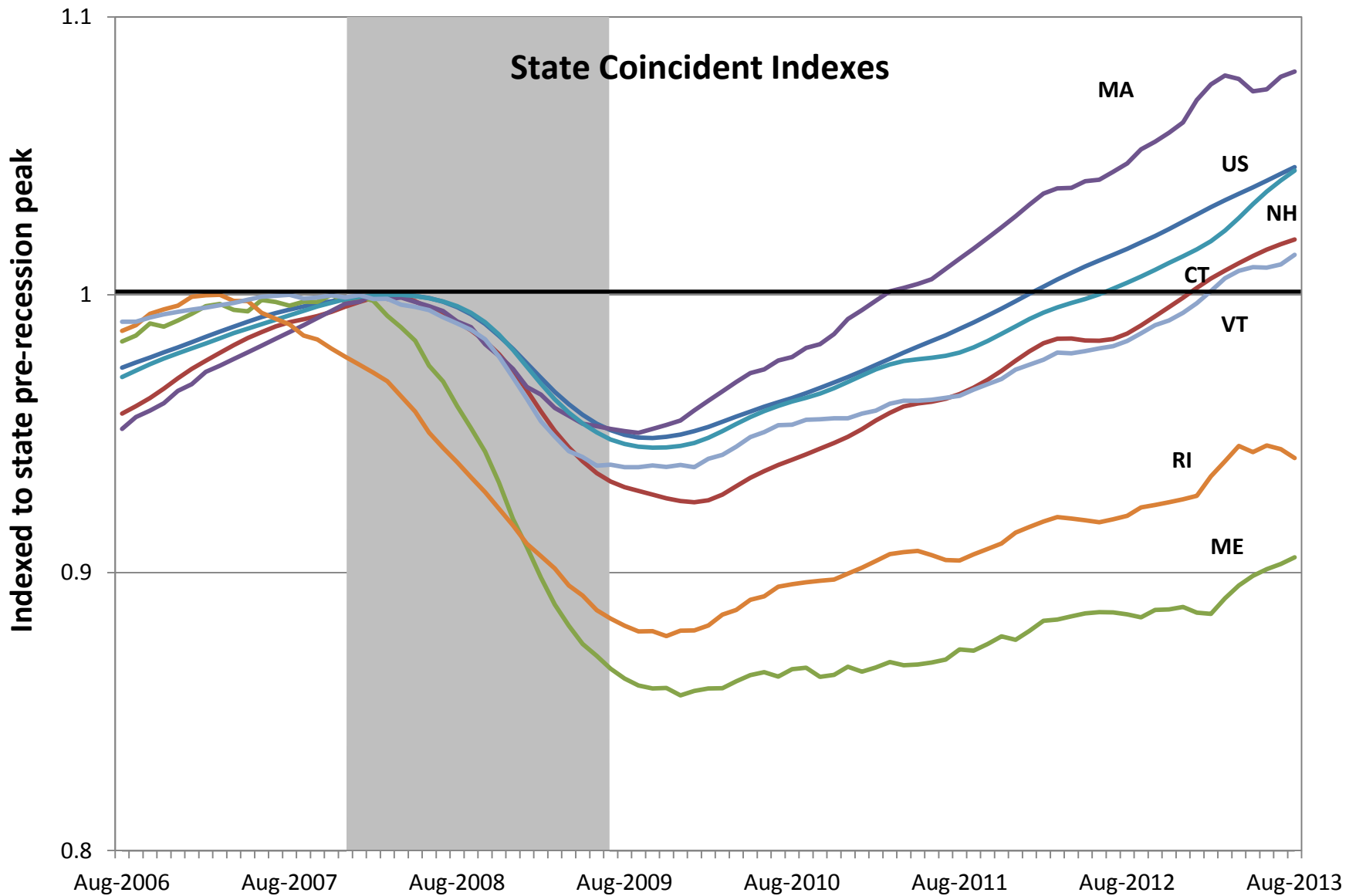
Serious delinquency Q2:2013 (%):  
Foreclosure inventory and 90-plus days past due



Source: Mortgage Bankers Association/Haver Analytics

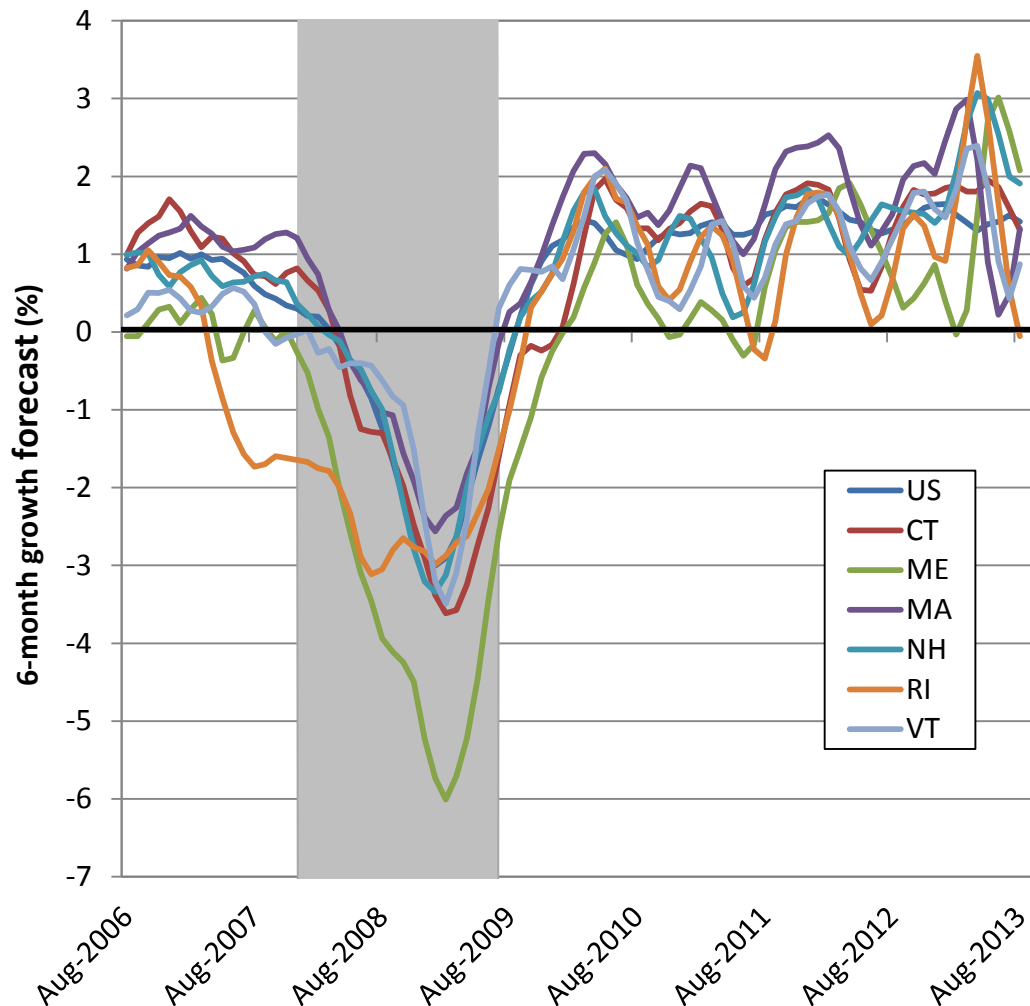


# Broadly measured, economic activity is rising across the region.

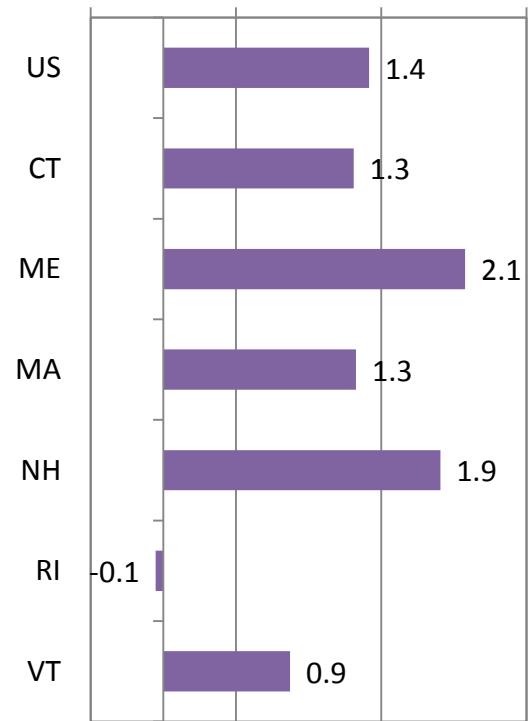


# Philadelphia Fed's leading economic index is mostly positive.

## State Leading Economic Activity Indexes (3-month moving average)



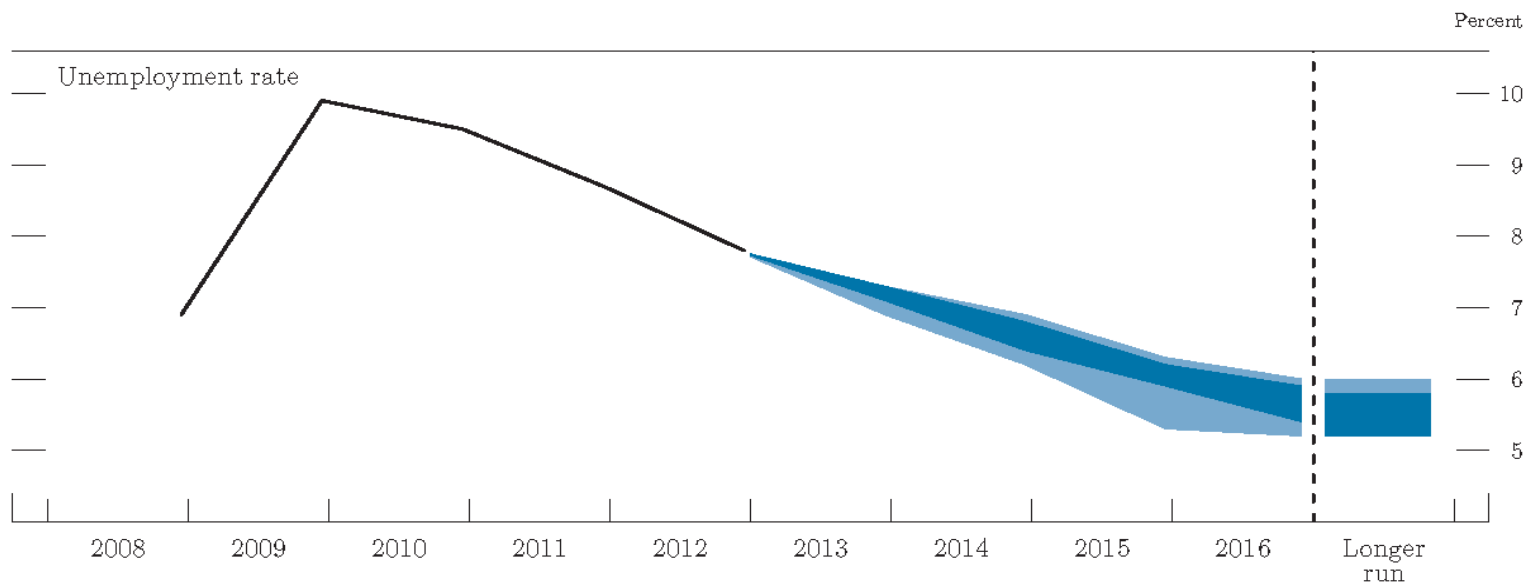
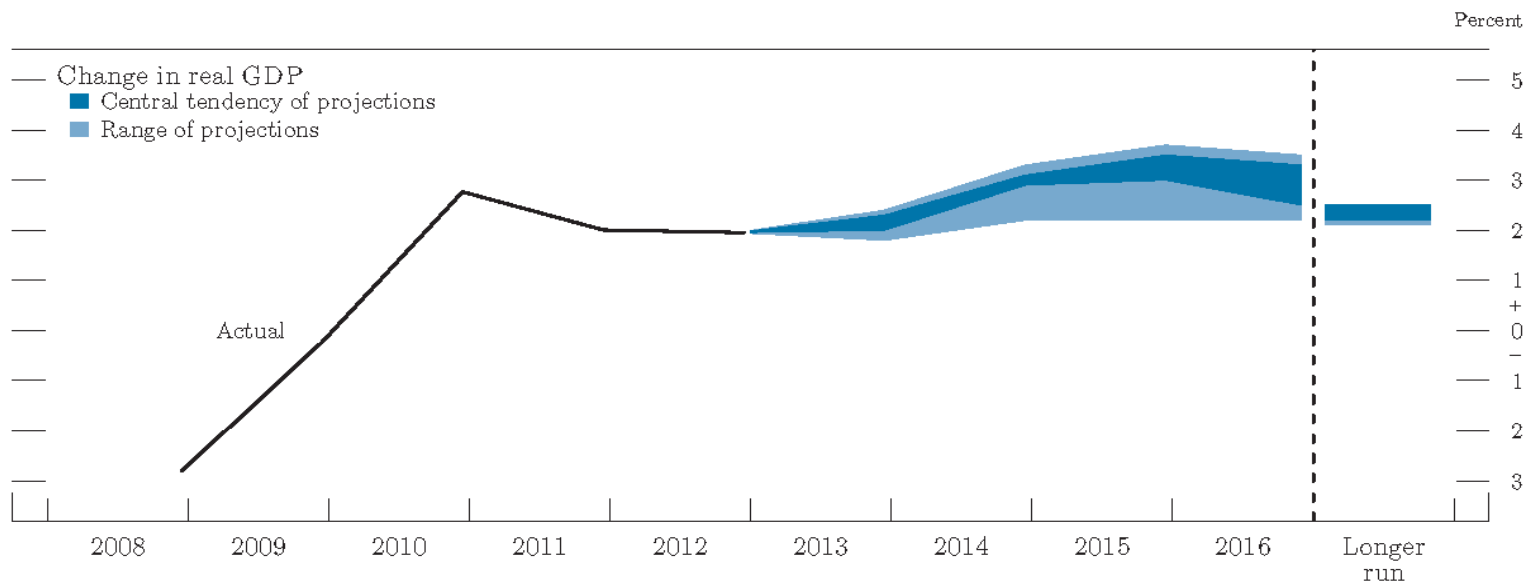
Most recent average (June-Aug 2013)  
-0.50 0.50 1.50 2.50



# Outlook

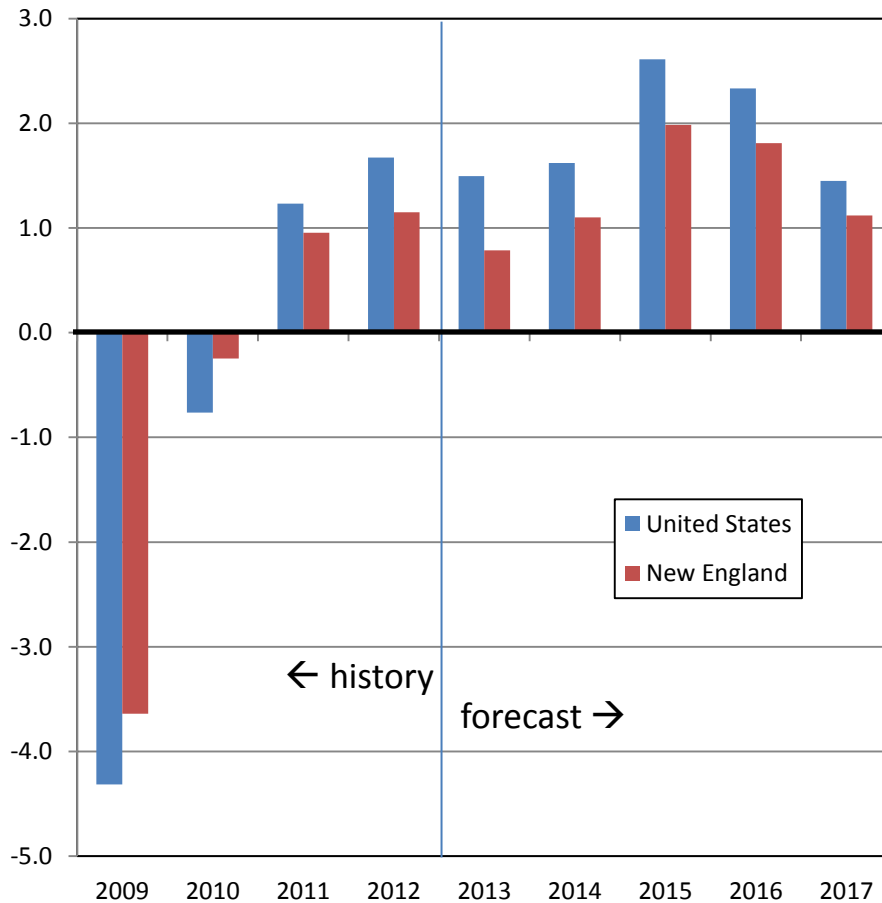
- U.S. economy's health is the key factor for New England
  - Fiscal drag/disruption
    - Sequester cuts
    - Shutdown/default
    - State and local governments
  - Trading partners' weakness/recovery
  - Housing is a plus
  - Overall, U.S. recovery is expected to continue!
- New England forecast: modest, steady growth

# FOMC economic projections, 2013–16 and over the longer run

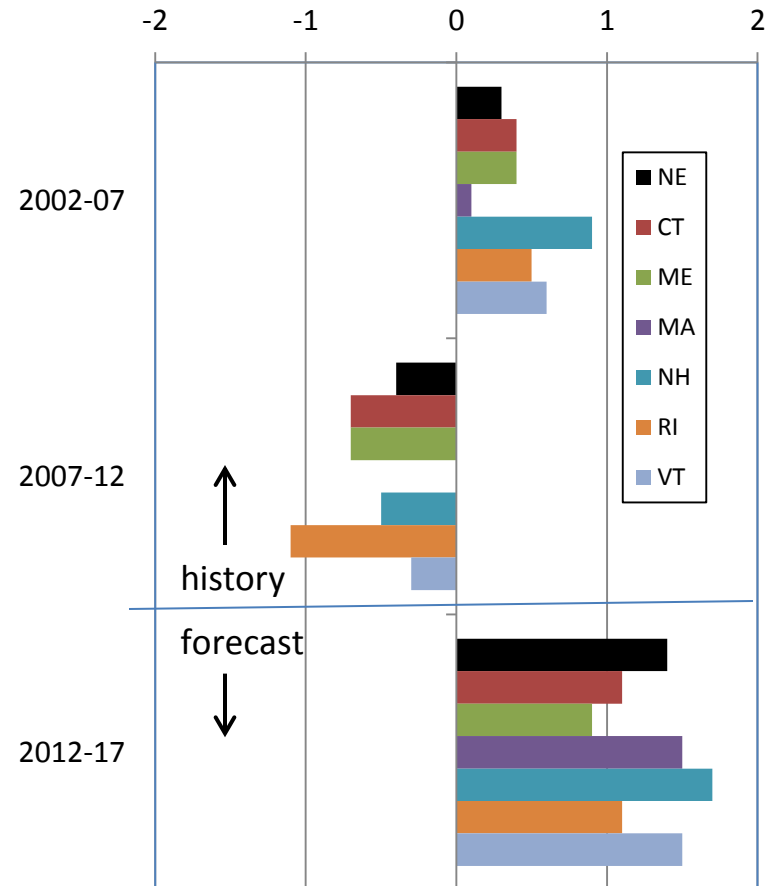


# New England Economic Partnership forecasts job growth continuing in New England

## Employment growth: history and forecast

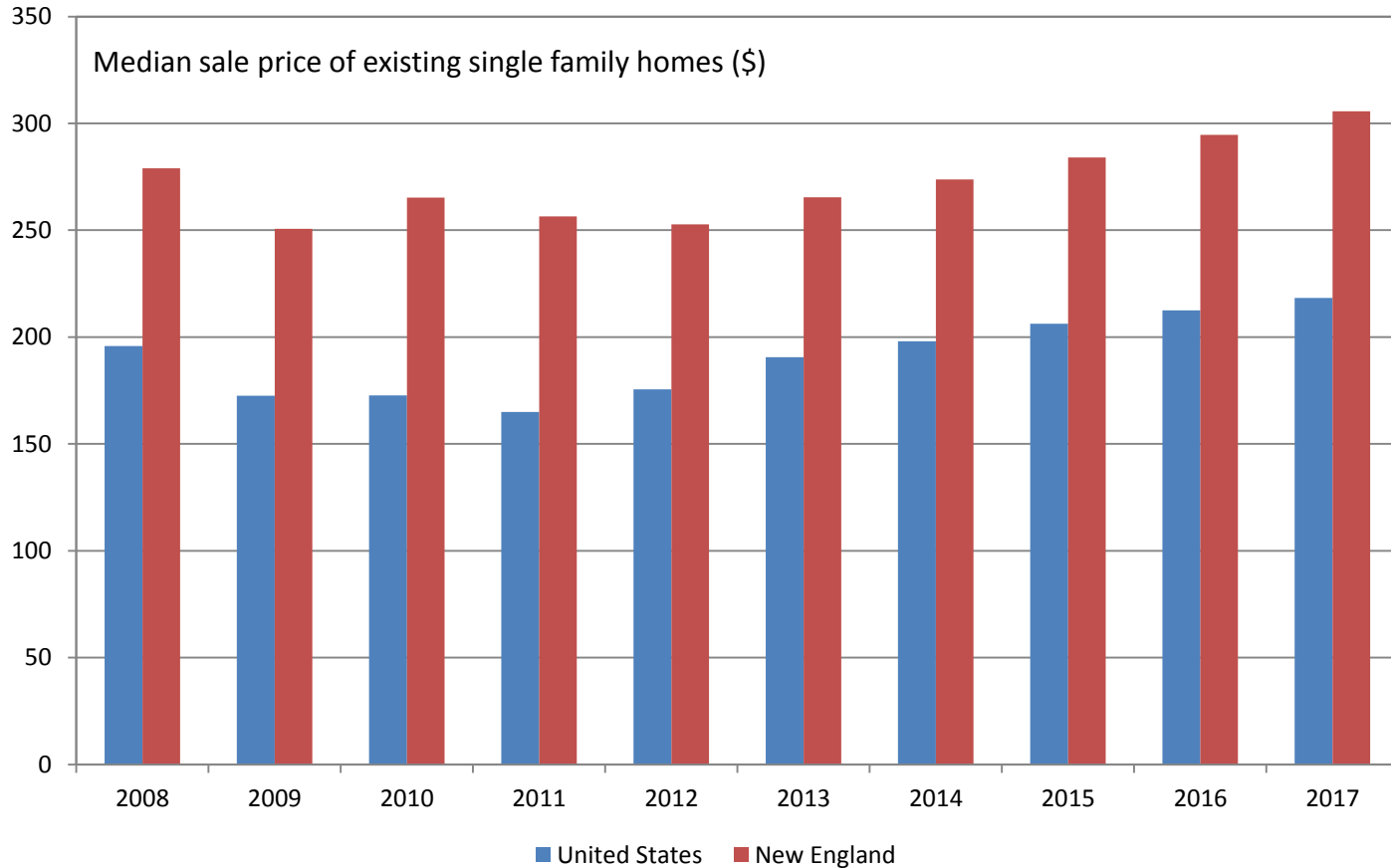


## annual employment growth (%)



Source: New England Economic Partnership forecast, May 2013.

## Home prices forecast to continue to rise: Expected pick-up this year and next slightly steeper nationwide than in region



Source: New England Economic Partnership forecast, May 2013.

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