NEW ENGLAND ECONOMIC OUTLOOK

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Federal Reserve Bank of Boston

Disclaimer: The views expressed here are those of the speaker and do not necessarily represent the views of the Federal Reserve Bank of Boston or the Federal Reserve System.
Economic activity exceeds pre-recession peak in all NE states except Maine

Indexed to Pre-recession Peaks

Source: Federal Reserve Bank of Philadelphia, NBER, Haver Analytics
Employment falls short of pre-recession peak in all states except Massachusetts

Source: Bureau of Labor Statistics, NBER, Haver Analytics
Employment growth near or above trend in all states except Vermont

<table>
<thead>
<tr>
<th>State</th>
<th>Annual Long-term Trend</th>
<th>Last 12 months</th>
<th>Since Peak</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percent</td>
<td>Percent</td>
<td>Number</td>
</tr>
<tr>
<td>United States</td>
<td>1.4</td>
<td>1.9</td>
<td>2,635,000</td>
</tr>
<tr>
<td>New England</td>
<td>0.8</td>
<td>1.6</td>
<td>114,800</td>
</tr>
<tr>
<td>Connecticut</td>
<td>0.5</td>
<td>1.6</td>
<td>26,100</td>
</tr>
<tr>
<td>Maine</td>
<td>1.2</td>
<td>1.6</td>
<td>9,400</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>0.8</td>
<td>1.9</td>
<td>64,100</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>1.5</td>
<td>1.3</td>
<td>8,500</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>0.6</td>
<td>1.2</td>
<td>5,900</td>
</tr>
<tr>
<td>Vermont</td>
<td>1.3</td>
<td>0.3</td>
<td>800</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics, Haver Analytics
Some metro areas seeing robust job growth; others still shedding jobs

Percent Change, September 2013 - September 2014

Source: Bureau of Labor Statistics, Haver Analytics
Region’s information sector leads job growth; manufacturing lags

Percentage Change, September 2013 - September 2014

Source: Bureau of Labor Statistics, Haver Analytics
Prof. and business services strongest sector in recovery; manufacturing weakest.
Employment exceeds pre-recession peak in service-oriented industries

Source: Bureau of Labor Statistics, Haver Analytics
New England no longer enjoys lower unemployment than U.S.

Source: Bureau of Labor Statistics, NBER, Haver Analytics
Unemployment rate fell sharply in RI over past twelve months

<table>
<thead>
<tr>
<th>State</th>
<th>Sep-13</th>
<th>Sep-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>7.2</td>
<td>5.9</td>
</tr>
<tr>
<td>New England</td>
<td>7.1</td>
<td>6.0</td>
</tr>
<tr>
<td>Connecticut</td>
<td>7.7</td>
<td>6.4</td>
</tr>
<tr>
<td>Maine</td>
<td>6.6</td>
<td>5.8</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>7.2</td>
<td>6.0</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>5.2</td>
<td>4.3</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>9.5</td>
<td>7.6</td>
</tr>
<tr>
<td>Vermont</td>
<td>4.5</td>
<td>4.4</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics, Haver Analytics
Share employed posts substantial increase; share not in labor force falls slightly.

Source: Bureau of Labor Statistics, Haver Analytics
Labor force participation still falling in some states; overall increase may not be robust
Despite recent improvement, employment-to-population ratios still languishing

Source: Bureau of Labor Statistics, Haver Analytics
Initial claims back down to pre-recession lows in region and U.S.

Indexed to Average of 1995

Source: Department of Labor, NBER, Haver Analytics, Federal Reserve Bank of Boston
Personal income growth up sharply in past two quarters; still below post-recession highs

Source: Bureau of Economic Analysis, NBER, Haver Analytics
Inflation in Boston has stayed at or below 2 percent since early 2012.

Source: Bureau of Labor Statistics, NBER, Haver Analytics
House price growth receding in region and U.S. since third quarter of 2013

Source: FHFA, NBER, S&P/Case-Shiller, Haver Analytics
MA leads region in house price growth; CT trails

Percent Change, Q2 2013 - Q2 2014

- United States: FHFA-Purchase Only 5.3, FHFA-HPI 5.8, Case Shiller 9.4
- Boston: FHFA-Purchase Only 5.8, FHFA-HPI 8.1
- New England: FHFA-Purchase Only 3.0, FHFA-HPI 3.0
- Connecticut: FHFA-Purchase Only 0.2, FHFA-HPI 0.3
- Maine: FHFA-Purchase Only 1.7, FHFA-HPI 1.0
- Massachusetts: FHFA-Purchase Only 5.0, FHFA-HPI 5.3
- New Hampshire: FHFA-Purchase Only 3.5, FHFA-HPI 4.6
- Rhode Island: FHFA-Purchase Only 2.6, FHFA-HPI 1.9
- Vermont: FHFA-Purchase Only 3.1, FHFA-HPI 2.2

Source: FHFA, S&P/Case-Shiller, Haver Analytics
Foreclosures back to boom-period lows in MA; still elevated in CT

Source: Mortgage Bankers Association, NBER, Haver Analytics
Growth in housing permits slower in past 18 months; levels still well below pre-recession values
Revenue collections surge in CT; lag in ME and NH

Source: Census Bureau, Haver Analytics
Growth in exports stalled in region since mid-2011

Source: WISER, Haver Analytics
Consumer confidence approaches pre-recession high in region

Indexed to U.S. Average of 1985

Source: The Conference Board, NBER, Haver Analytics
Confidence in present situation increased more sharply than future expectations.

Source: The Conference Board, Haver Analytics
State leading indexes volatile since January; contraction foreseen in VT

Source: Federal Reserve Bank of Philadelphia, NBER, Haver Analytics
Outlook for MA: solid econ. growth foreseen; rising business confidence affirms forecast
New England Economic Partnership foresees stronger regional economy over next 5 years

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Employment</td>
<td>-0.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Personal Income</td>
<td>2.4</td>
<td>5.0</td>
</tr>
<tr>
<td>Gross State Product</td>
<td>0.7</td>
<td>2.4</td>
</tr>
<tr>
<td>Population</td>
<td>0.4</td>
<td>0.3</td>
</tr>
<tr>
<td>Labor Force</td>
<td>0.0</td>
<td>0.8</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>1.6</td>
<td>-2.2</td>
</tr>
<tr>
<td>Housing Permits</td>
<td>3.2</td>
<td>9.0</td>
</tr>
<tr>
<td>FHFA House Price Index</td>
<td>-2.0</td>
<td>3.0</td>
</tr>
</tbody>
</table>

Source: New England Economic Partnership, Fall 2014 forecast
FOMC expects rebound in GDP growth in 2015; further declines in unemployment through 2017
FOMC forecasts see inflation creeping up to ~2 percent by 2017.
Risks factors in the outlook

• Weakness in foreign markets contributing to:
  • drag on exports, could worsen
  • downward pressure on oil prices
    • boosts disposable income and, possibly, consumer spending
  • downward pressure on long-term Treasury yields
    • could help housing market, consumption of durables

• Timing of short-term rate increase
  • expected mid-2015, could be later if inflation stays low

• Progress likely to continue to be uneven within region
  • VT most exposed to weak export demand