Vermont and New England Economic Conditions

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*The views expressed in this presentation are mine and not necessarily those of the Federal Reserve Bank of Boston or Federal Reserve System
Overview

• Labor Market
• Housing Market
• Prices and Confidence
• Economic Outlook
New England’s economic performance has varied by state.

State Economic Activity Indexes

Through July 2013

Index: Each state’s pre-recession peak is equal to 1.

Note: The economic activity indexes include four indicators: non-farm employment, the unemployment rate, average weekly hours worked in manufacturing, and wage and salary disbursements. The trend for each state’s index is set to match the trend for its gross domestic product (available annually). Shaded bars are recessions.

Sources: Federal Reserve Bank of Philadelphia
Overview

• Labor Market
• Housing Market
• Other Indicators and Outlook
Employment is **slowly** recovering.

**Total Employment**

Through July 2013

Index: Each state’s pre-recession peak is equal to 1.

Sources: U.S. Bureau of Labor Statistics, Vermont Department of Labor

Note: The Northeast Kingdom is trough to March 2013.
The impact of the recession varied greatly across the region.

Peak to Trough Employment Change

June-07 to Sep-09:
Lost 14,300 jobs

Source: U.S. Bureau of Labor Statistics, Vermont Department of Labor
The region have been slow to regain jobs.

Job Recovery, Trough to July 2013

Source: U.S. Bureau of Labor Statistics, Vermont Department of Labor

Note: The Northeast Kingdom is trough to March 2013.
New England Supersector’s were less severely impacted.

Employment Growth by Supersector

Peak to Trough

- Construction
  - Vermont: -19.9%
  - New England: -23.5%
  - United States: -26.1%
  - Northeast Kingdom: -29.9%

- Manufacturing
  - Vermont: -15.2%
  - New England: -13.7%
  - United States: -16.5%
  - Northeast Kingdom: -18.9%

- Trade, Transportation, & Utilities
  - Vermont: -6.1%
  - New England: -6.9%
  - United States: -8.1%
  - Northeast Kingdom: -10.4%

- Finance
  - Vermont: -6.1%
  - New England: -6.2%
  - United States: -6.7%
  - Northeast Kingdom: -9.7%

- Leisure & Hospitality
  - Vermont: -1.8%
  - New England: -3.9%
  - United States: -4.5%
  - Northeast Kingdom: -4.2%

- Professional & Business Services
  - Vermont: 8.2%
  - New England: 2.8%
  - United States: 3.5%
  - Northeast Kingdom: 4.2%

- Government
  - Vermont: 13.2%
  - New England: 0.4%
  - United States: 6.6%
  - Northeast Kingdom: 2.0%

Source: U.S. Bureau of Labor Statistics, Vermont Department of Labor
The recovery has been mixed across sectors.

Employment Growth by Supersector
Trough to July 2013

Source: U.S. Bureau of Labor Statistics, Vermont Department of Labor
Note: Northeast Kingdom’s employment is through March 2013.
New England has started to trail national job growth.

July 2012 to July 2013


Note: Northeast Kingdom’s employment is through March 2013.
Employment Growth by Supersector
Percent Change, July 2012 – July 2013

Note: Northeast Kingdom’s employment is through March 2013.
Unemployment rates in the region have edged up in recent months.

Sources: U.S. Bureau of Labor Statistics, Vermont Department of Labor
What going on in Vermont?

Sources: U.S. Bureau of Labor Statistics
Alternative Measures of Unemployment

Sources: U.S. Bureau of Labor Statistics

U-6: Unemployed, plus marginally attached, plus part time

U-3: Standard unemployment rate

U-1: Percent unemployed 15 weeks or longer

Through Q2 2013
Overview

- Labor Market
- Housing Market
- Other Indictors and Outlook
The housing downturn resulted in steep price declines in most states.

### House Price Changes

**Percent Change, Peak to Trough**

<table>
<thead>
<tr>
<th>Region</th>
<th>FHFA - HPI</th>
<th>FHFA - Purchase Only</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>-21.2%</td>
<td>-18.0%</td>
</tr>
<tr>
<td>New England</td>
<td>-15.7%</td>
<td>-16.9%</td>
</tr>
<tr>
<td>Connecticut</td>
<td>-20.3%</td>
<td>-18.2%</td>
</tr>
<tr>
<td>Maine</td>
<td>-12.3%</td>
<td>-10.8%</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>-16.5%</td>
<td>-16.0%</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>-22.5%</td>
<td>-19.3%</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>-26.9%</td>
<td>-26.5%</td>
</tr>
<tr>
<td>Vermont</td>
<td>-8.3%</td>
<td>-5.8%</td>
</tr>
</tbody>
</table>

**Source:** Federal Housing Finance Authority
Housing prices are starting to level off or increase.

**FHFA Home Price Index**

Q1 1980 = 100

Percent Change from Year Earlier

Through Q2 2013

Source: Federal Housing Finance Authority.
Foreclosure activity has become less of a drag on the housing market.

Foreclosures Started as a Percent of All Loans

Rate in Q2 2013:
- US: 0.6%
- NE: 0.6%
- CT: 0.9%
- NH: 0.6%
- ME: 0.9%
- RI: 0.8%
- MA: 0.4%
- VT: 0.5%

Source: Mortgage Bankers Association
Incomes in the recession have been fairly stagnant.

Real Per Capita Incomes, 2001 to 2011

Recent trends in prices and rates have made buying a home more affordable in much of the region.

NAR Housing Affordability Index by MSA: Fixed Rate Mortgages

Source: National Association of Realtors/Haver Analytics
Note: The index equals 100 when the median family income is sufficient to purchase a median priced house.
Affordable housing remains out of reach for many workers.

Housing Affordability in Burlington Vermont in 2013

Source: National Housing Conference Paycheck to Paycheck Database.
The affordability of rental housing is still a concern in many areas.

Map shows that gross rent as a percent of income exceeds 30 percent (a common affordability threshold) in 38.6 to 58.4 percent of rental households in New England.

Source: U.S. Census Bureau, American Community Survey, as published in Communities & Banking, Winter 2013
Overview

• Labor Market
• Housing Market
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Note: CPI is for all urban consumers.
Components of Consumer Price Increases
Percent Change, July 2012 – July 2013

- All Items
- Food
- Shelter
- Fuel & Utilities
- Transportation
- Medical Care
- Recreation
- Education and Communication
- All Items, Less Food and Energy

Consumer confidence has improved recently but remains low.

**Consumer Confidence**

1985 U.S. Average = 100

Through July 2013

- **United States**
- **New England**

Source: The Conference Board/Haver Analytics
Confidence in present economic conditions is growing.

Consumer Confidence
1985 U.S. Average = 100

Source: The Conference Board.
Pre-recession employment levels may be reached in 2014.

New England

Vermont

United States

Housing prices may return to pre-recession levels by 2017.

FHFA Housing Price Forecast

Source: Federal Housing Finance Authority, New England Economic Partnership
Summary

• New England’s economic recovery has started to trail the pace of the national recovery.

• Vermont is experiencing one of the stronger labor market recoveries in the region and has had a much healthier housing market.

• The Northeast Kingdom’s jobs recovery more closely matches Rhode Island or Maine than Vermont.

• Forward-looking indicators point towards continued momentum in the economic recovery, albeit at a moderate pace.
Questions?

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Sources of Further Information

Visit www.bostonfed.org for updates on the New England and U.S. economies:
– “Regional Economy” Page (Research, reports, data, and other resources related to the New England region)
– *New England Economic Indicators* (statistical information on the New England economy updated continually)
– *Profile of New England* (data and brief analysis on important long-term economic and demographic trends in the New England states)
– *New England City Data* (easy-to-access demographic and economic data for New England cities)
– Beige Book (anecdotal information updated every six weeks or so)
– “News and Events” Page (speeches by Boston Fed president)

• Visit www.neepecon.org for New England state forecasts prepared by the New England Economic Partnership (Fall 2012)