

New England Economic Snapshot

August 2009

Summary

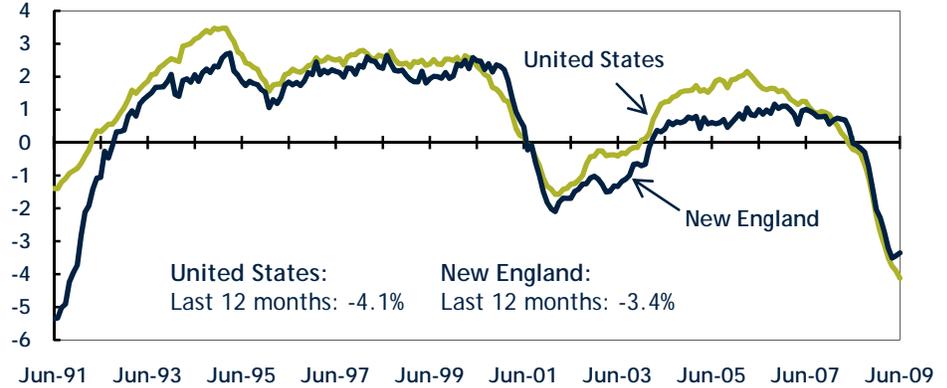
The New England economy continues to be in a slump, with no convincing evidence of substantial economic recovery taking hold in the second half of the year. However, most of the economic indicators in the region

(including employment, unemployment, house prices, and office vacancies) are consistent with the view that the recession will turn out to be somewhat less severe in the region than nationally.

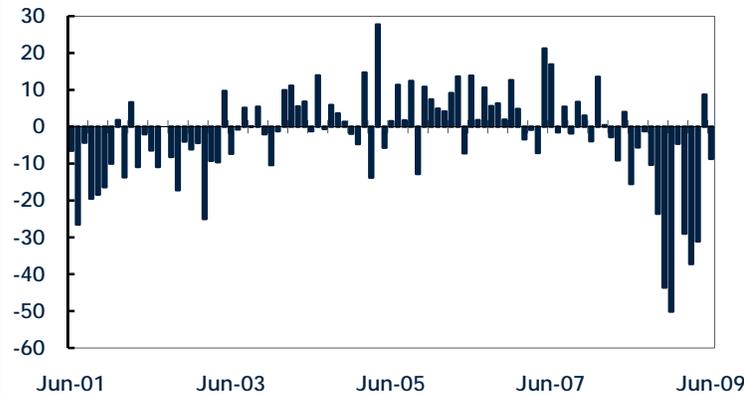
Bumpy Month-to-Month Employment, Steady Decreases from Year-Ago

New England payroll employment fell slightly in June, offsetting the increase in May. The rate of year-over-year job loss in the region has stabilized, in contrast to continuing deterioration nationally. New England's unemployment rate rose in June but was a full percentage point lower than the national average. Even so, all New England states except Maine and New Hampshire experienced job losses between May and June.

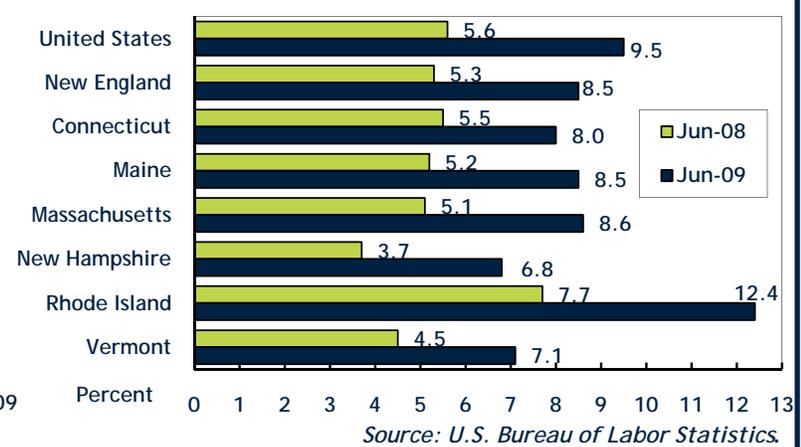
Percent Change from Year Earlier



Monthly Employment Change in New England
Thousands of Jobs



Unemployment Rates in the United States and New England



Residential Real Estate: Beginning of a Turn-Around

After a four-year downturn, housing construction may be turning the corner. The number of single-family permits issued in New England and the nation increased for the third consecutive month in May. On a year-over-year basis, however, permits were down 25 percent in New England and 35 percent nationwide.

The dollar value of residential construction contracts in New England increased for the third consecutive month in June, but remained about 40 percent lower than in June 2008. The dollar value of construction contracts across the U.S. also increased in June, but was 35 percent lower than a year ago.

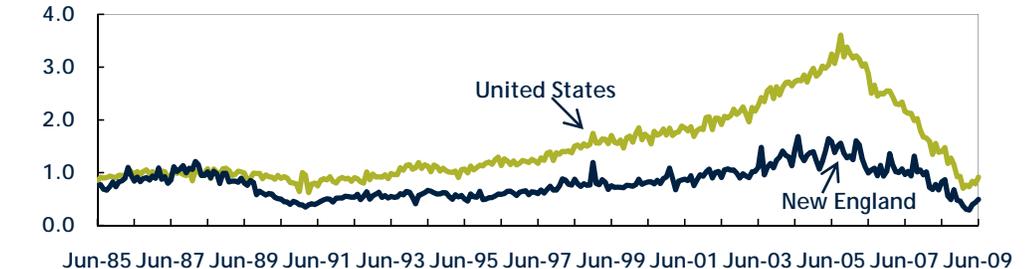
Index, 1988 = 1

Single-Family Housing Permits



Index, 1988 = 1

Dollar Value of Residential Construction Contracts



Sources: U.S. Department of Commerce, Construction Statistics Division; McGraw-Hill Information Systems Company, F.W. Dodge Division.

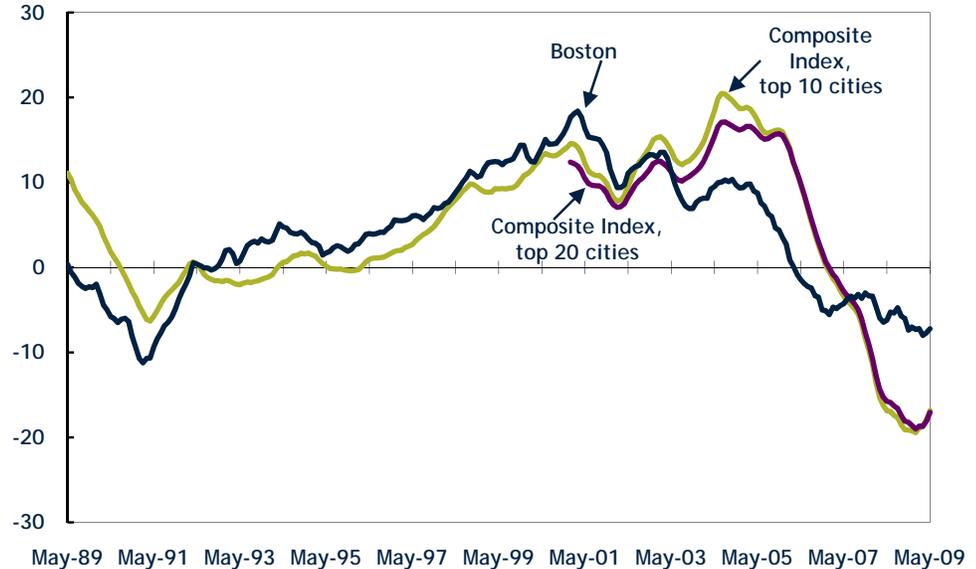
Home Prices: Bottoming Out or Slightly Improving ?

Home prices in Boston and many other metropolitan areas may be bottoming out or even increasing slightly. Boston-area house prices increased slightly from April to May, but were still 7.2 percent lower than in May 2008. Both of the composite indexes were down about 17 percent from their May 2008 levels. Among the metropolitan areas included in the Composite 10 Index, only Denver (-4.6 percent) had a more modest decrease in home prices than Boston.

Among the areas in the Composite 20 Index, Dallas (-4.2 percent) and Cleveland (-6.2 percent) also had smaller decreases. The largest year-over-year home price declines occurred in Phoenix (-34.2 percent) and Las Vegas (-32.0 percent).

S&P Case-Shiller: Metropolitan Area Home Price Indexes

Percent Change from Year Earlier



Source: S&P Case-Shiller.

Personal Income Stagnant; Wages and Salaries Falling Slightly

Total personal income of New Englanders has stagnated, mirroring national trends. Between first quarter 2008 and first quarter 2009, nominal personal income increased only 0.7 percent in New England, closely in line with the 0.8 percent rate of increase nationally for the same period.

With prices measured to be up about 0.8 percent from a year earlier, real personal income has remained relatively flat both regionally and nationally.

Total wages and salaries paid by New England employers fell 0.1 percent from year earlier, slightly better than the 0.4 percent decline nationally. Wage and salary payments fell in four of the six New England states; only the two relatively rural states—Maine and Vermont—saw year-over-year increases, about enough to keep up with inflation.

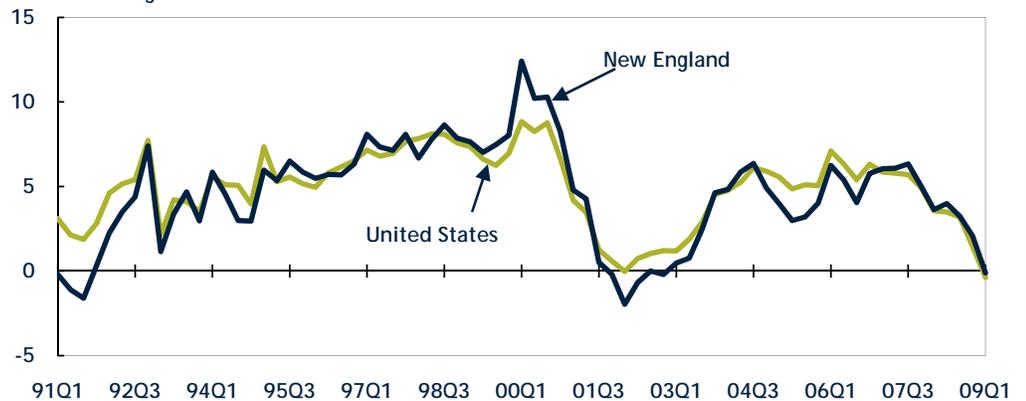
Personal Income

Percent Change from Year Earlier



Total Wage and Salary Disbursements

Percent Change from Year Earlier



Source: U.S. Bureau of Labor Statistics.

New England Economic Snapshot is compiled by the Federal Reserve Bank of Boston's Financial Institution Relations & Outreach (FIRO) program and contains excerpts of information prepared by the Bank's Research Department, as well as other publically available sources. This document generally reflects data released in the six weeks prior to July 30, 2009, and the use of these data does not necessarily imply the Bank's endorsement of the information. More current and detailed statistical data on the region's economy is available via *New England Economic Indicators* at: www.bos.frb.org/economic/nee/nee.htm.