

New England Economic Snapshot

July 2009

Summary

Despite some positive indicators, the New England economy continues to contract. While the region's employment ticked up modestly in May, employment in all six states remains significantly below its year-earlier levels, and unemployment continues to rise.

Regional housing markets remain soft, but appear to be in less of a free-fall than in past quarters. Even so, sales of existing homes in New England continue to decrease. On a positive note, while regional home prices continue to drop, the rate of decline stabilized or diminished in the first quarter of 2009.

Payroll Employment: A Small (Temporary?) Month-to-Month Improvement

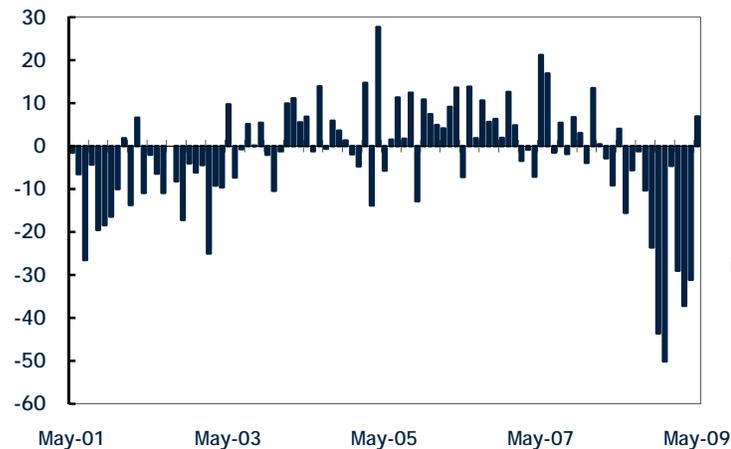
Following 11 consecutive months of job losses, New England's employment ticked up modestly in May. Nonetheless, payroll job counts in all six New England states remained below their year-earlier levels and unemployment continued to rise. The region's jobless rate climbed to 8.3 percent in May, and Rhode Island's unemployment rate, at 12.1 percent, tied for third-highest in the nation.

Employment Growth

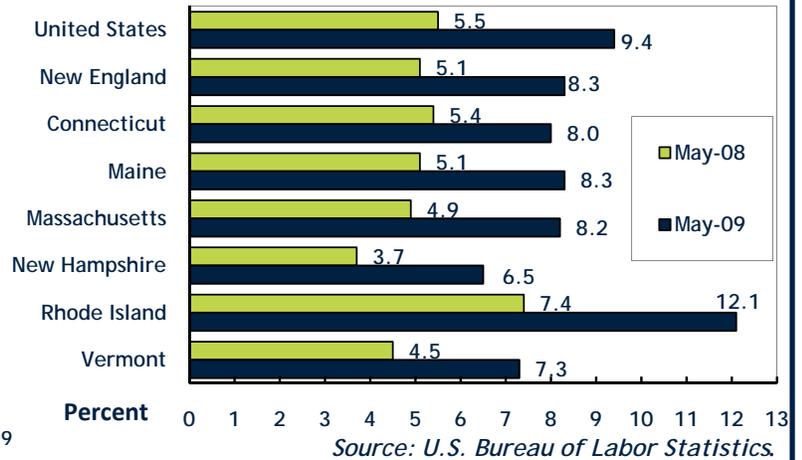


Monthly Employment Change in New England

Thousands of Jobs



Unemployment Rates in the United States and New England

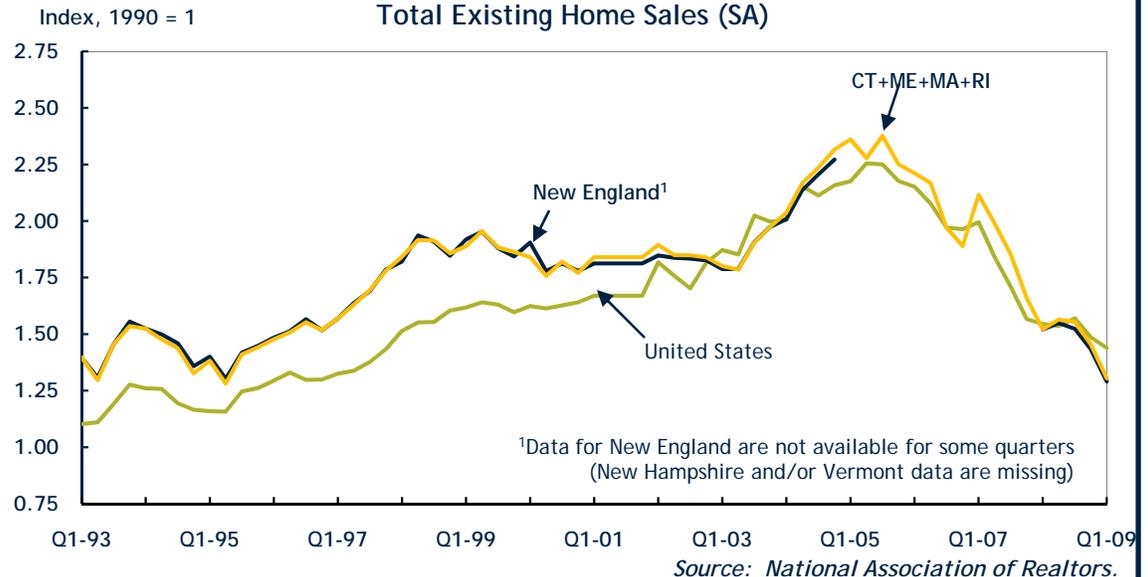


Existing Home Sales Continue to Fall

Existing home sales in New England fell 15 percent year-over-year as of the first quarter, more than twice the national pace of decline.

Home sales in the region and the nation have been trending down since 2005 and New England sales in the first quarter of 2009 were at their lowest level since the third quarter of 1992.

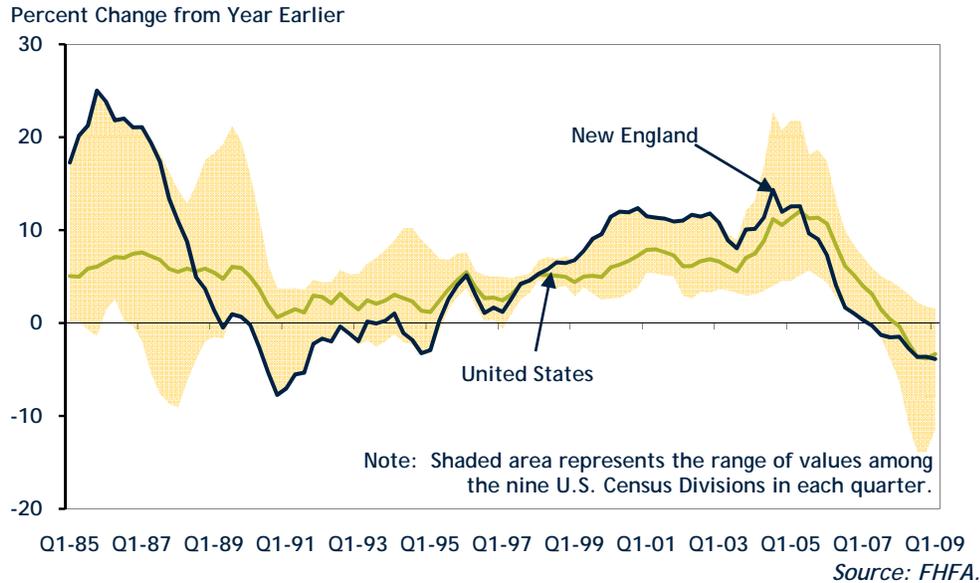
Total Existing Home Sales (SA)



Home Prices Declining

First-quarter FHFA transactions data (refinancing and purchase) show New England house prices down 3.9 percent from a year ago, while prices nationwide have fallen 3.3 percent; New England stands roughly in the middle of the pack among the nine Census divisions. Prices have dropped over the past year in all six New England states, with the smallest depreciation seen by Vermont (1.2 percent) and the greatest by Rhode Island (7.4 percent). While these year-over-year declines in FHFA transaction-based house prices appear to be leveling, the FHFA price indexes based solely on purchase transactions showed moderation in their rates of decline both regionally and nationally.

FHFA House Price Indexes (Not seasonally adjusted)



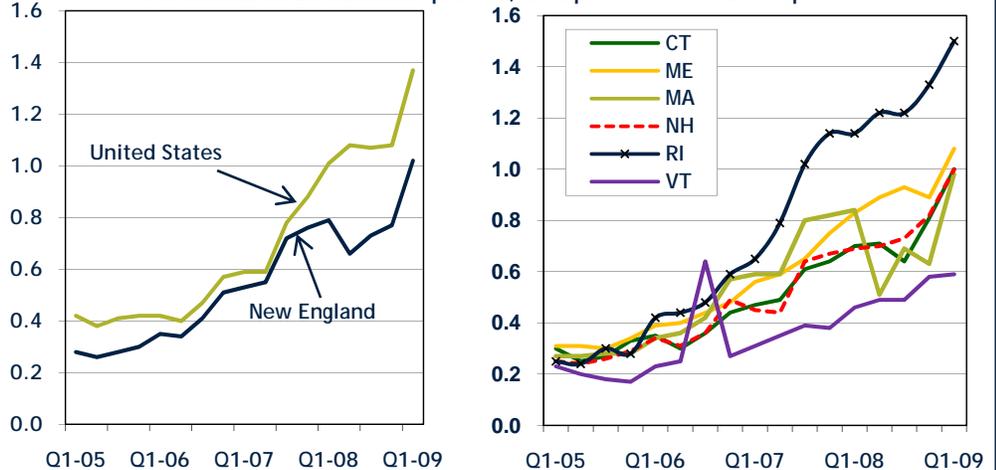
Foreclosures On The Rise

New England's foreclosure initiation rate jumped in the first quarter of 2009, attaining a new peak; foreclosure initiations nationally also reached an all-time high. All six New England states saw quarter-over-quarter increases in foreclosure starts. Jay Brinkmann, the Mortgage Bankers Association's chief economist, commented: "The increase in the foreclosure number is sobering but not unexpected. The rate of foreclosure starts remained essentially flat for the last three quarters of 2008 and we suspected that the numbers were artificially low due to various state and local moratoria, the Fannie Mae and Freddie Mac halt on foreclosures, and various company-level moratoria. Now that the guidelines of the administration's loan modification programs are known, combined with the large number of vacant homes with past due mortgages, the pace of foreclosures has stepped up considerably."¹ The rate of foreclosure starts for subprime fixed mortgages is now slightly higher in New England than in the nation; however, overall foreclosure initiation rates remain lower than the national rate.

¹ Mortgage Bankers Association, "Delinquencies and Foreclosures Continue to Climb in Latest MBA National Delinquency Survey," Press release, May 28, 2009.

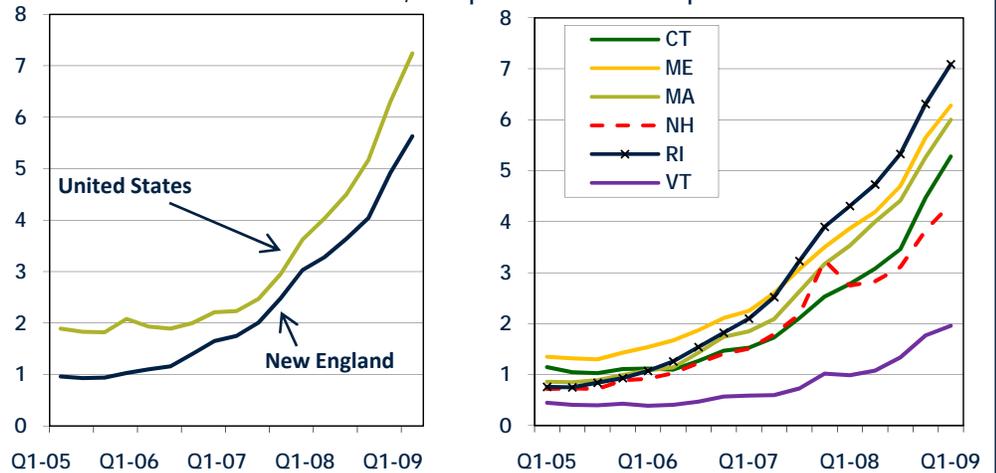
Foreclosures Started, All Loans

Foreclosures initiated in quarter, as a percent of loans in pool.



Seriously Delinquent Mortgages

Mortgages with payments 90 days past due plus inventory of mortgages in foreclosure, as a percent of loans in pool.



Source: Mortgage Bankers Association / Haver Analytics.

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 June 20, 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.