

Update on the New England Economy and Housing Markets

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Areas of Focus

- Employment situation
- Consumer and business confidence round-up
- Housing situation
- Economic outlook for New England

New England Employment Situation

Good News: Employment held steady year-over-year.

- Employment grew by 0.8 percent, just below U.S. growth.
- No increase in unemployment rate, still below nation's.
- Personal income growth comparable to the U.S. average.

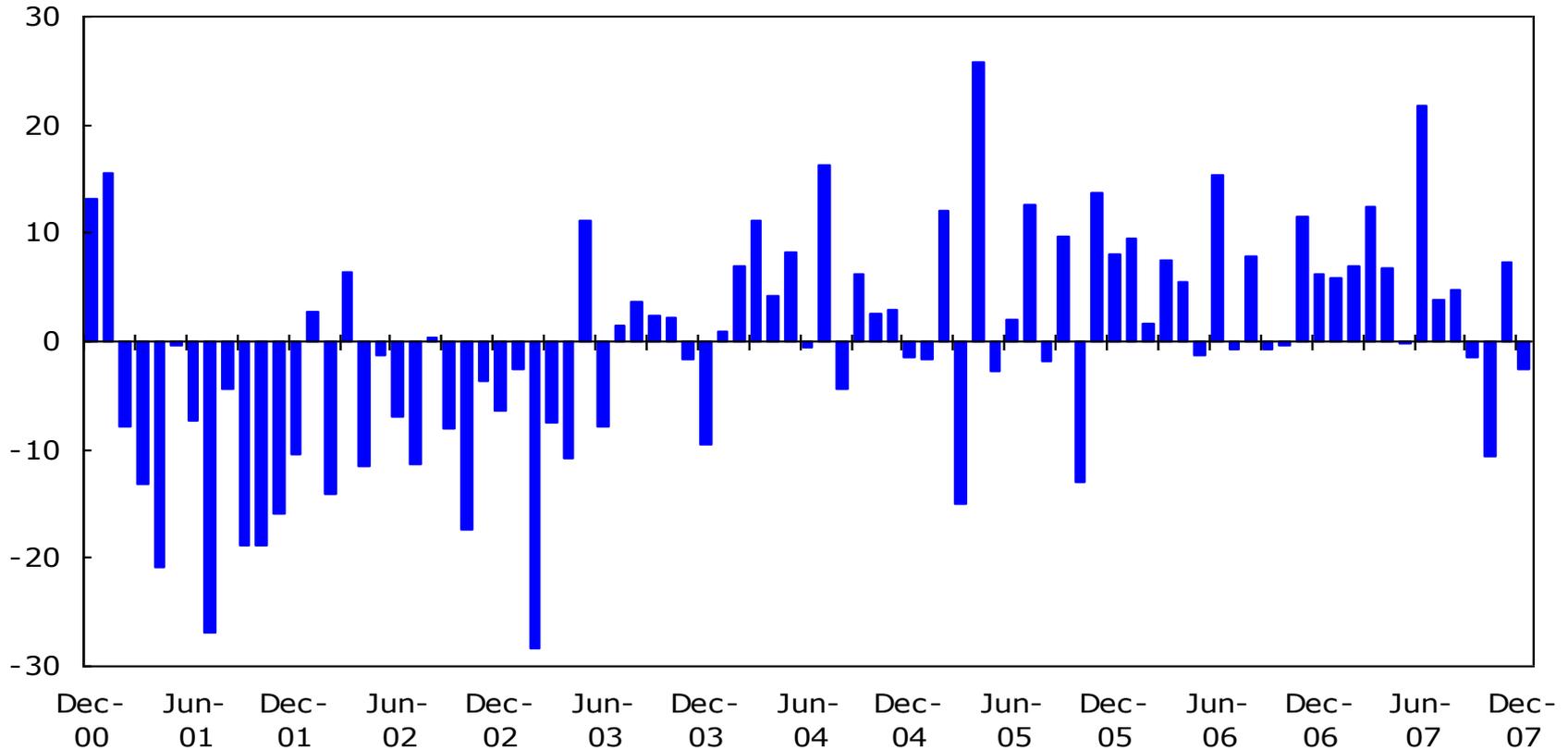
Bad News: Employment slipped at the end of 2007.

- Lost jobs at end of 2007, still below 2000 peak job level.
- Unemployment rate increased slightly in Nov and Dec.
- Unemployment claims increased, similar to U.S. trend.

Employment in New England slipped at the end of 2007.

Thousands of
Jobs

Monthly Employment Change in New England

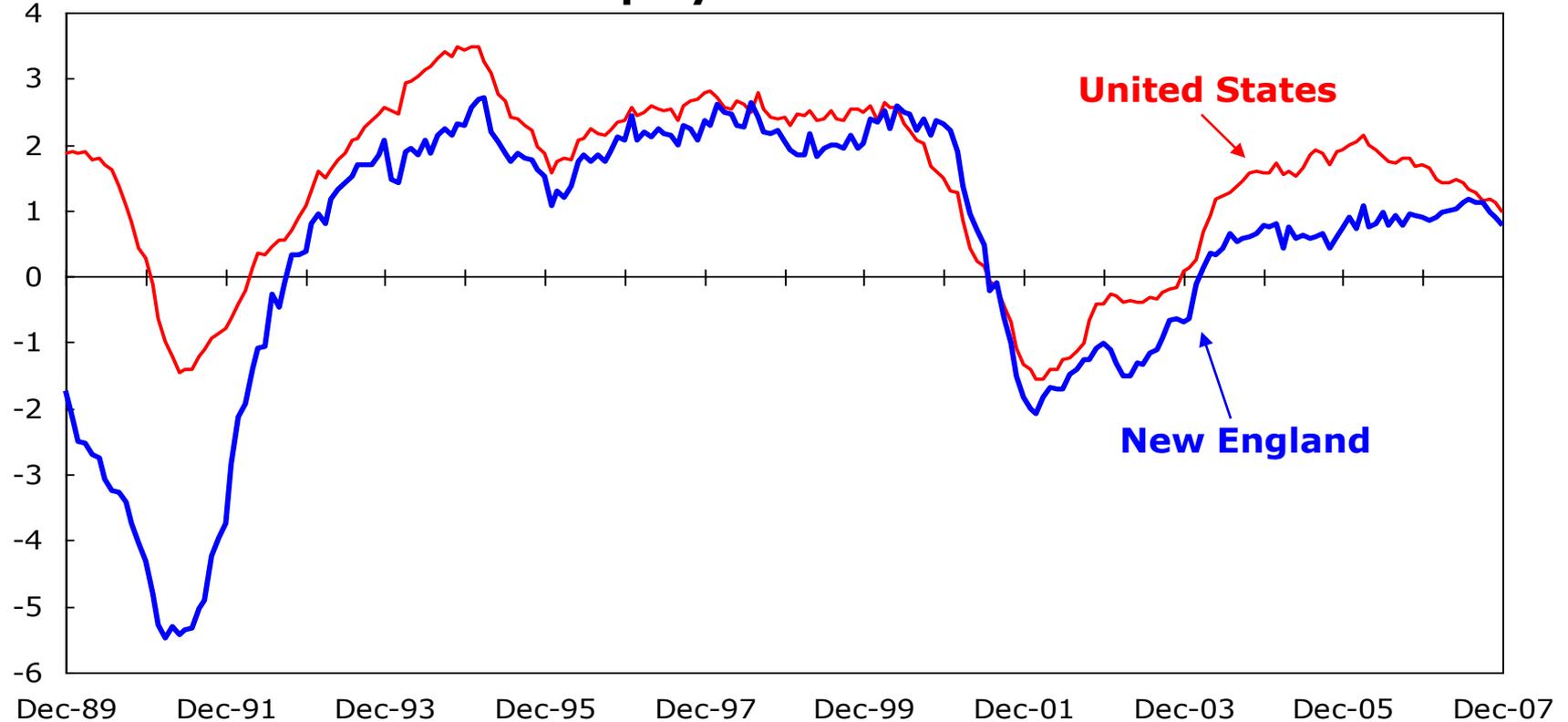


Source: U.S. Bureau of Labor Statistics.

As a result, year-over-year employment gains for New England were small.

Percent Change from Year Earlier

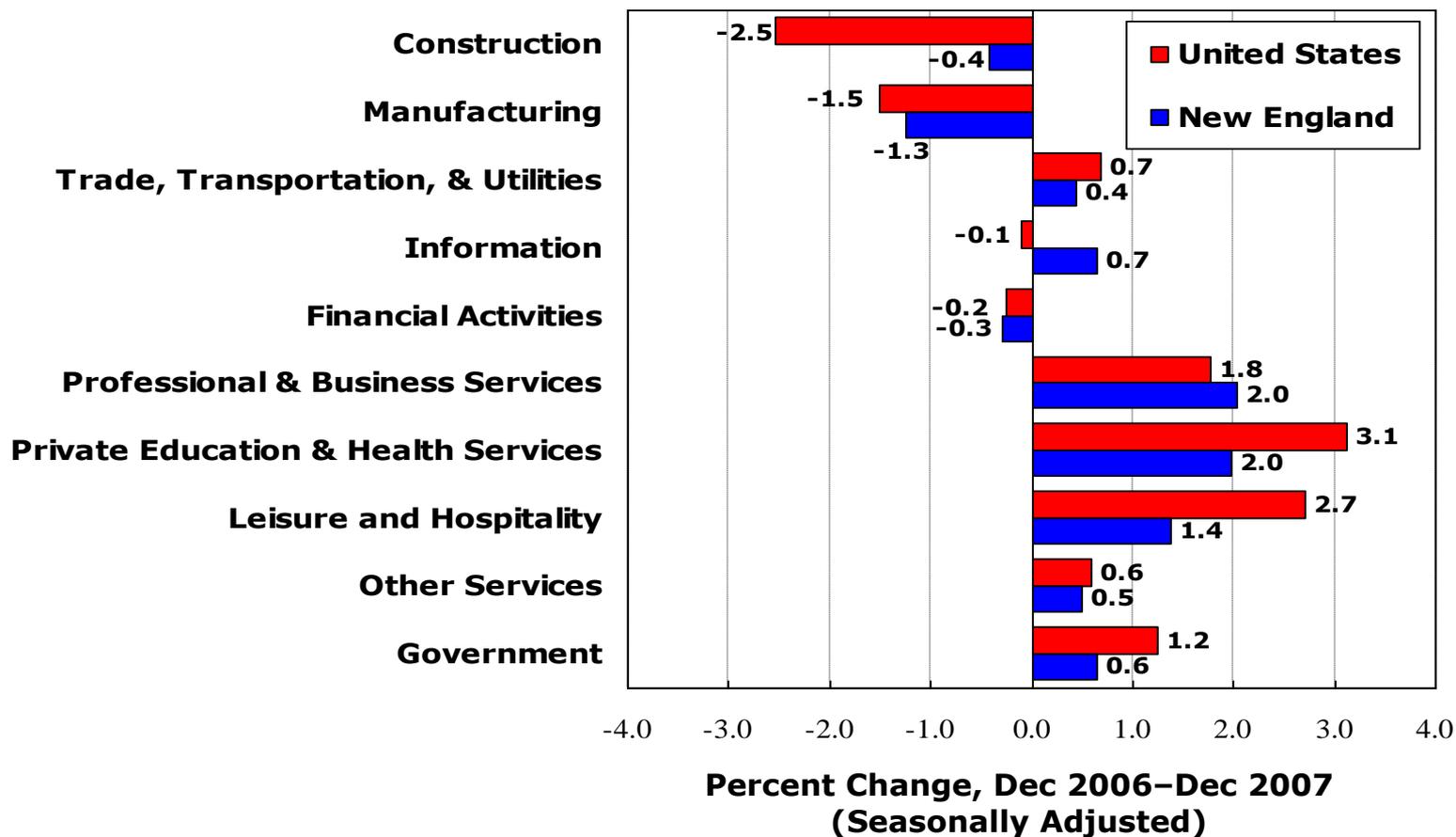
Employment Growth



Source: U.S. Bureau of Labor Statistics.

By major sector, employment growth in New England was mixed compared to a year earlier.

Employment Growth by Supersector



Source: U.S. Bureau of Labor Statistics.

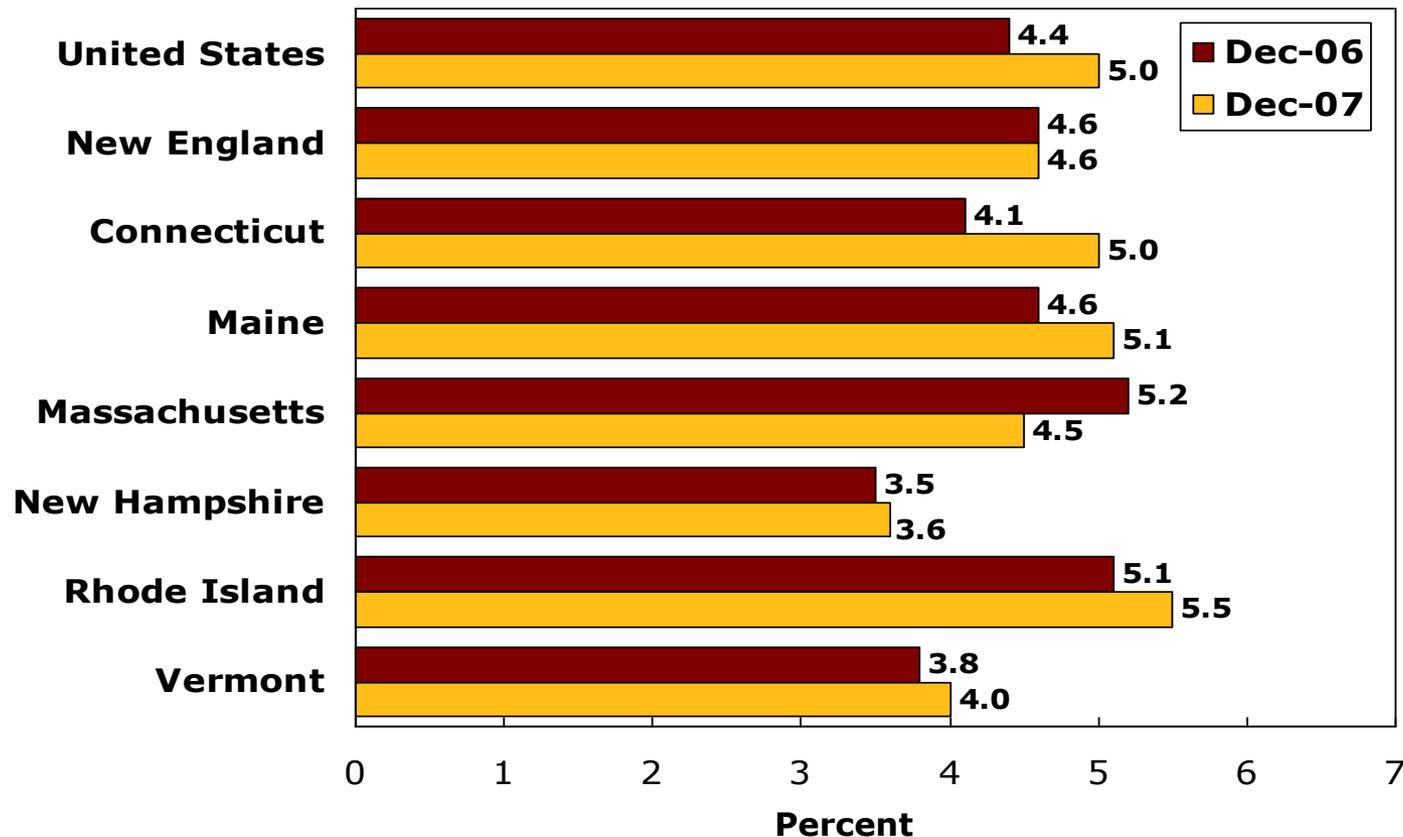
Note: New England data represent only CT, MA, and NH. Seasonally adjusted data are not available for ME, RI, or VT.

New England's unemployment rate edged up at the end of 2007, but was lower than the nation's.



Source: U.S. Bureau of Labor Statistics.

Year-over-year, the unemployment rate was unchanged for the region, but fluctuated widely across New England states.

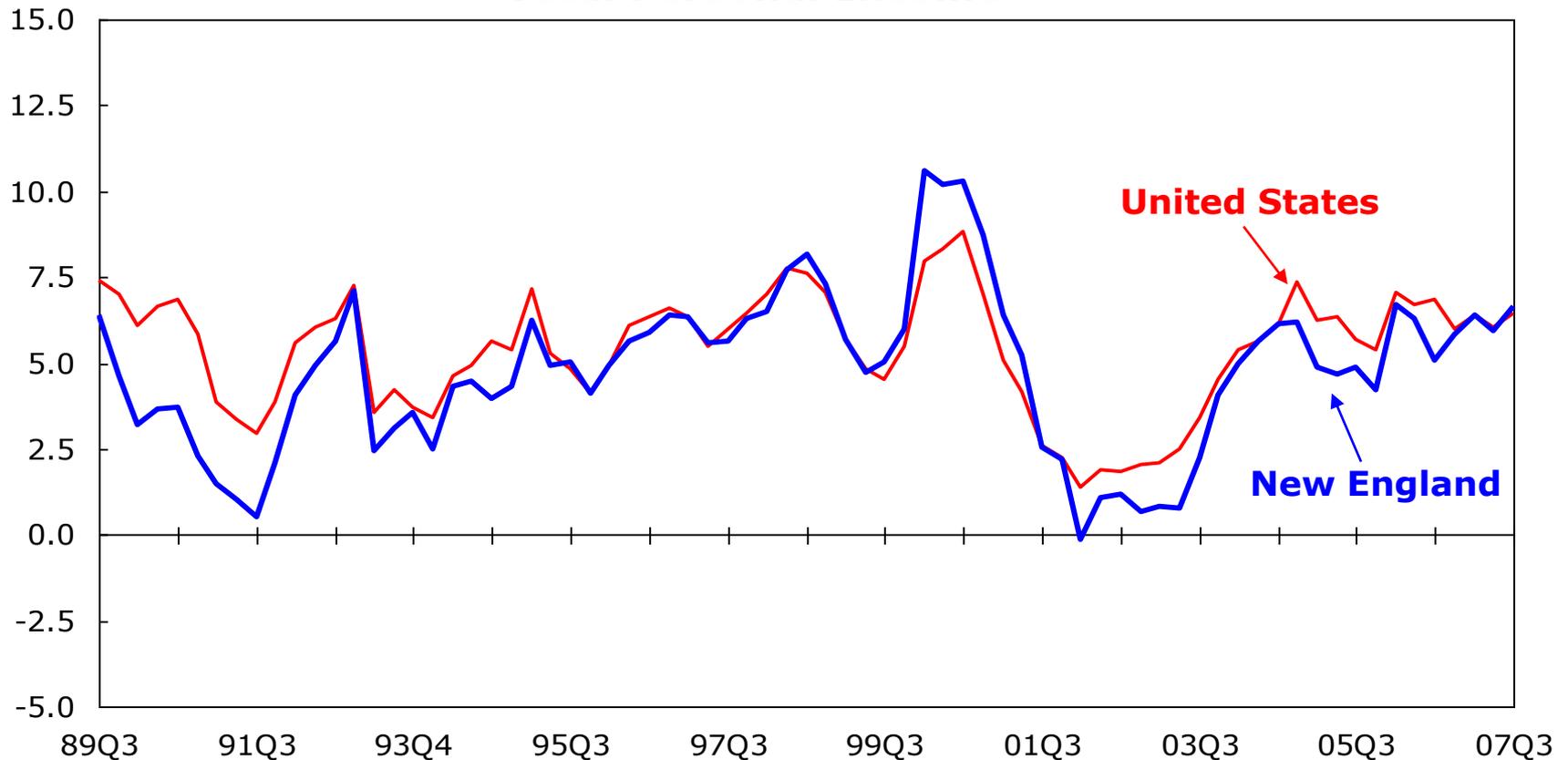


Source: U.S. Bureau of Labor Statistics.

Personal income in New England continued to grow through the third quarter of 2007.

Percent Change from
Year Earlier

Total Personal Income



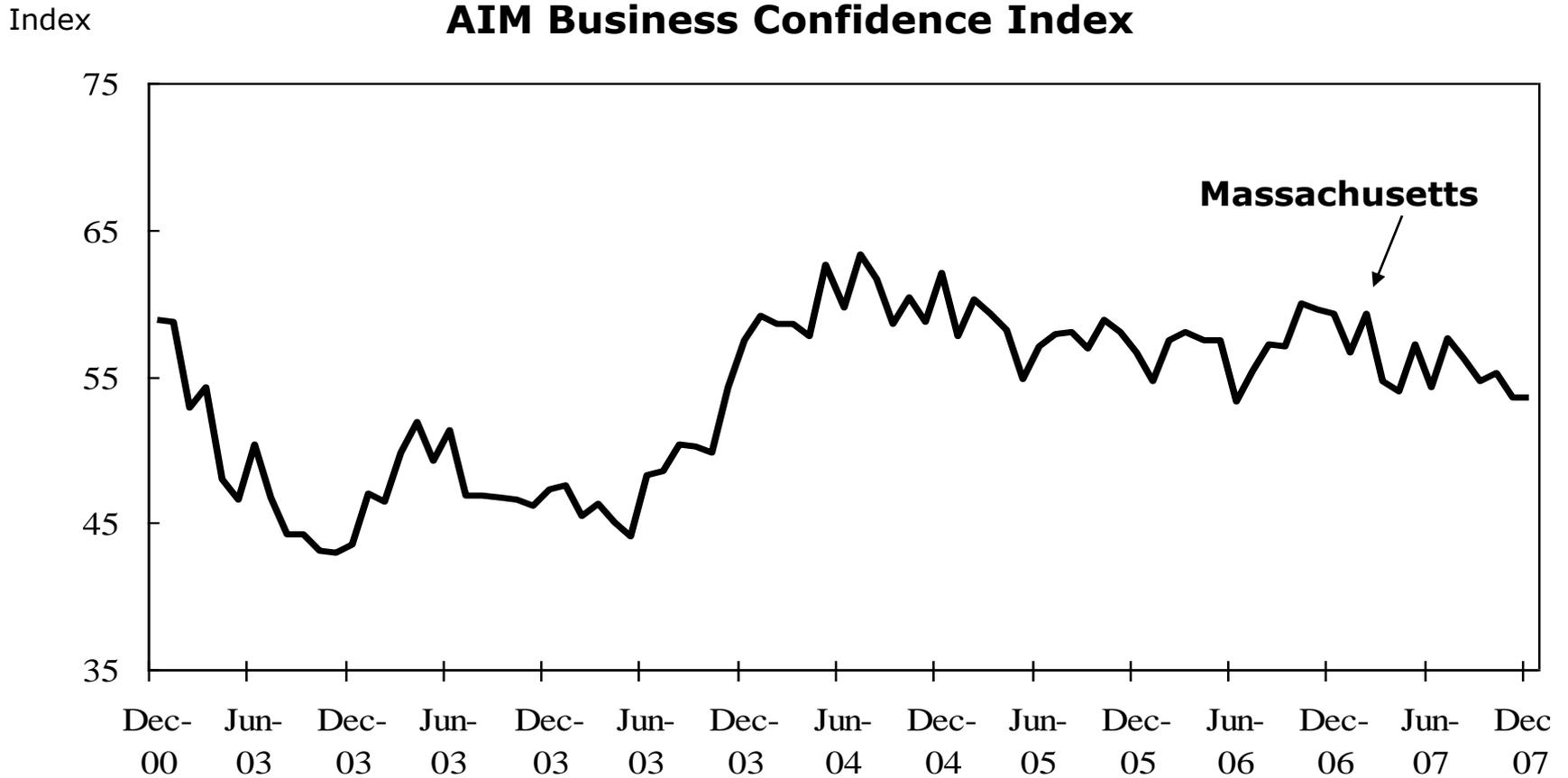
New England Consumer and Business Confidence Round-up

The Good: Business confidence was unchanged in December and Massachusetts employers showed some optimism about future conditions.

The Bad: Consumer confidence among New England residents held steady in December, but remained below year-ago levels.

The Ugly: Compared to a year ago, the percentage of Boston area workers who see their personal financial situation as improving has fallen.

Confidence among Massachusetts employers was virtually unchanged in December.

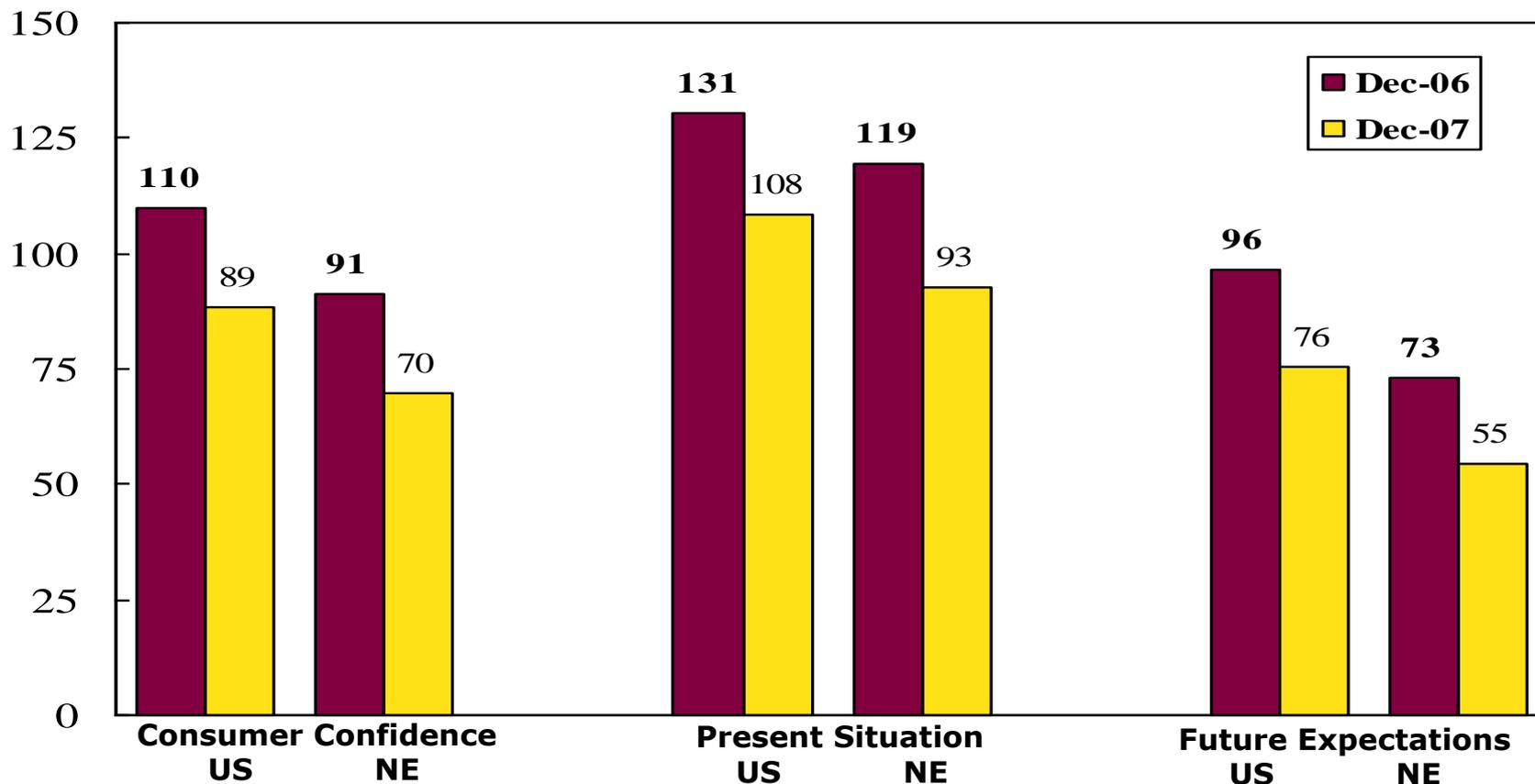


Source: Associated industries of Massachusetts.

New England consumer confidence held steady at the end of 2007 but below year-ago peaks.

1985 U.S.
Average=100

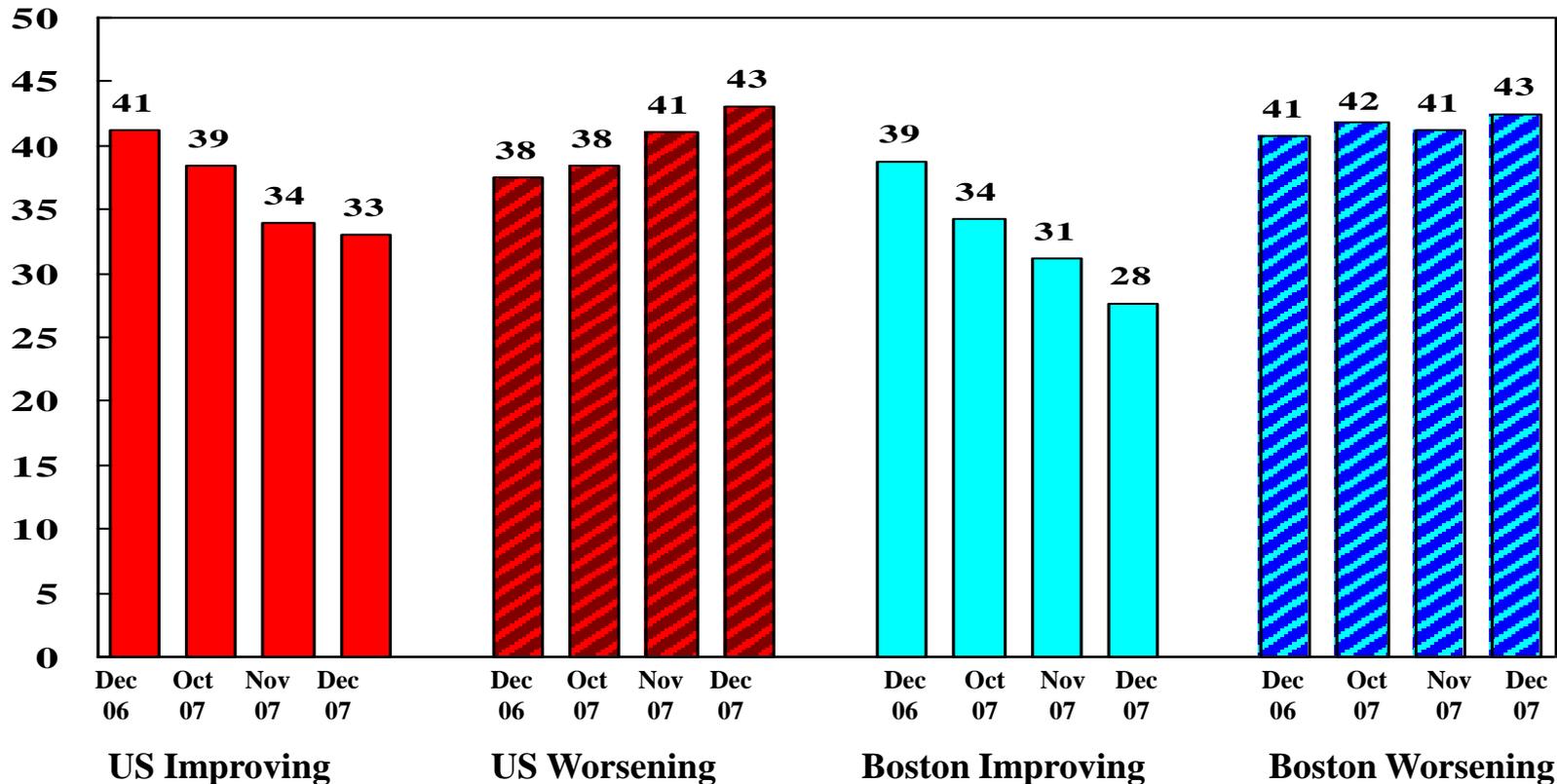
Consumer Confidence



Confidence among employees continued to erode for Boston and the nation.

Percent Responding

Workers' Assessment of Personal Financial Situation



Source: Hudson Highland Group.

New England Housing Situation

Good News: Not as bad as some other regions.

- Prices fell but not as sharply as some other areas.
- As prices continue to soften, affordability may improve.
- About one-quarter of subprime borrowers could refinance.

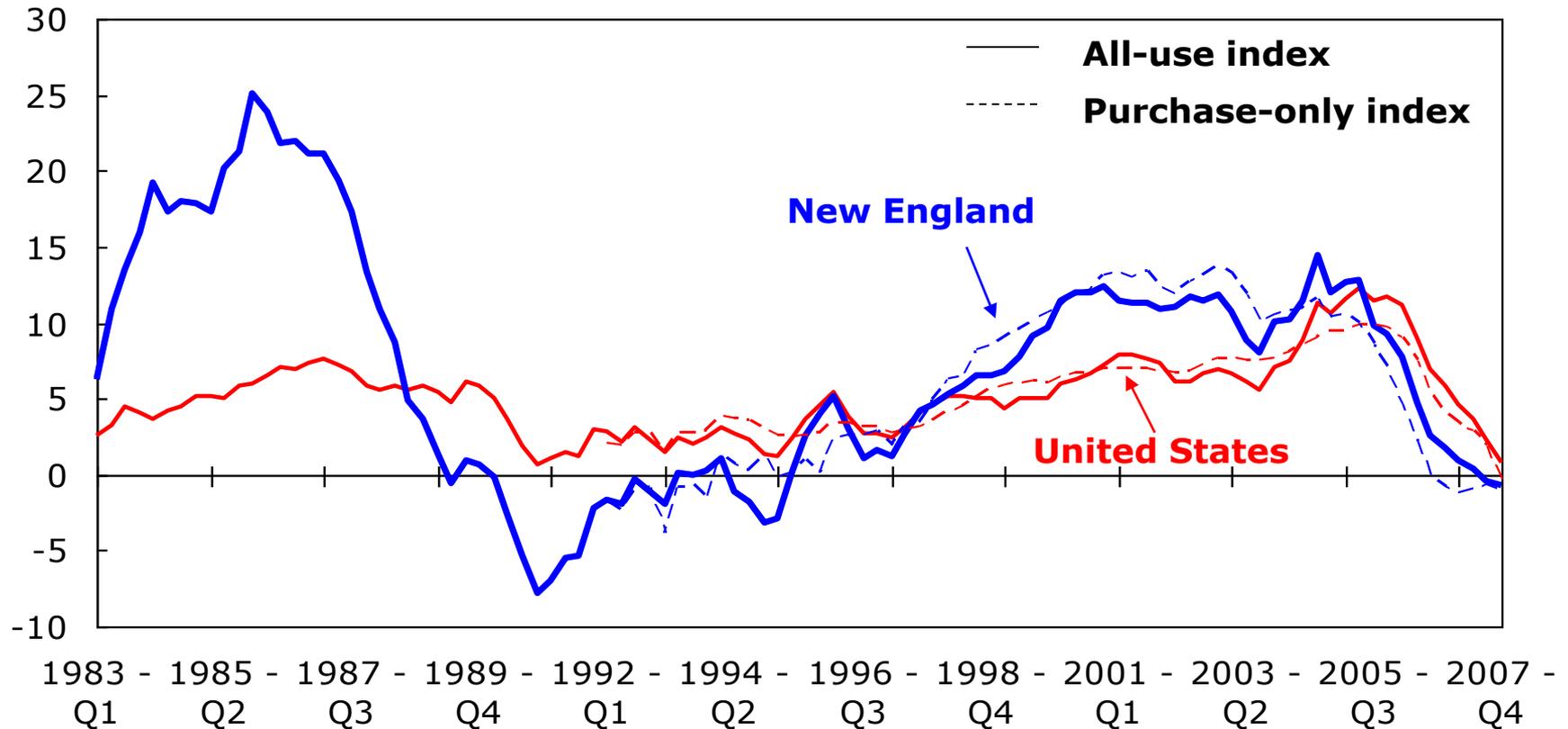
Bad News: It's not over yet.

- House prices continued to soften through the end of 2007.
- Existing sales and new home construction are down.
- Foreclosures are at record highs and still rising.

House prices continued to soften through the end of 2007 in both New England and the U.S.

Percent Change from
Year Earlier

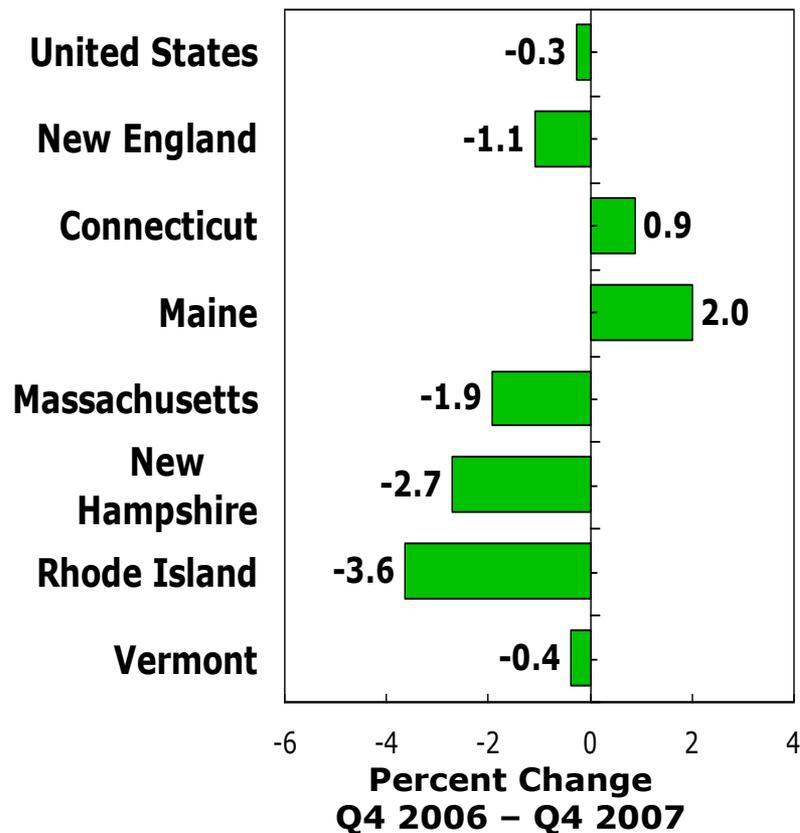
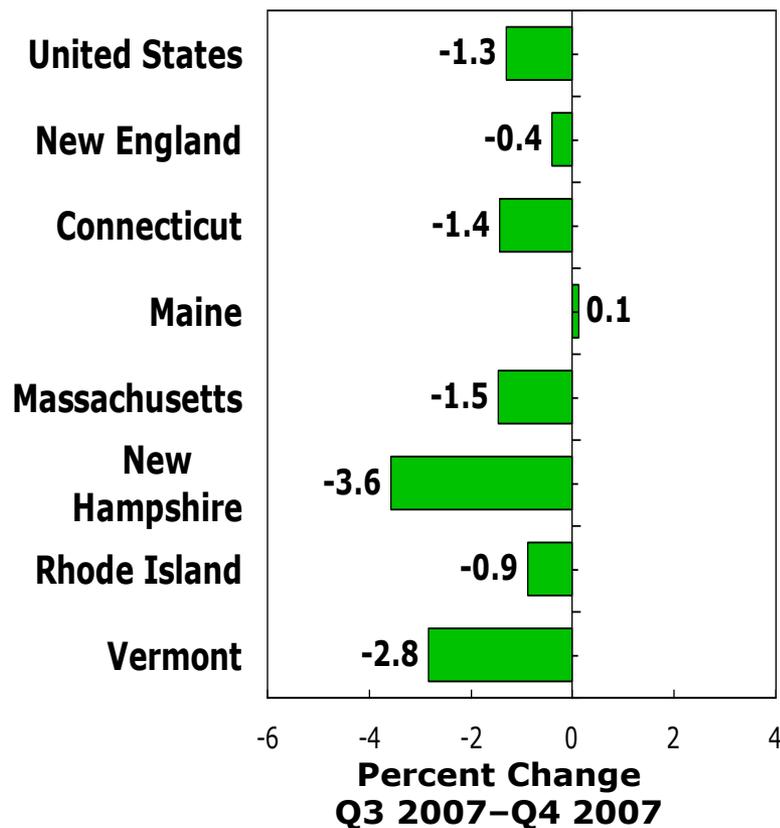
OFHEO House Prices Indices



Source: Office of Federal Housing Enterprise Oversight (OFHEO).

House prices for homes purchased fell in 2007 Q4 for every New England state except Maine.

OFHEO Purchase-only House Price Index

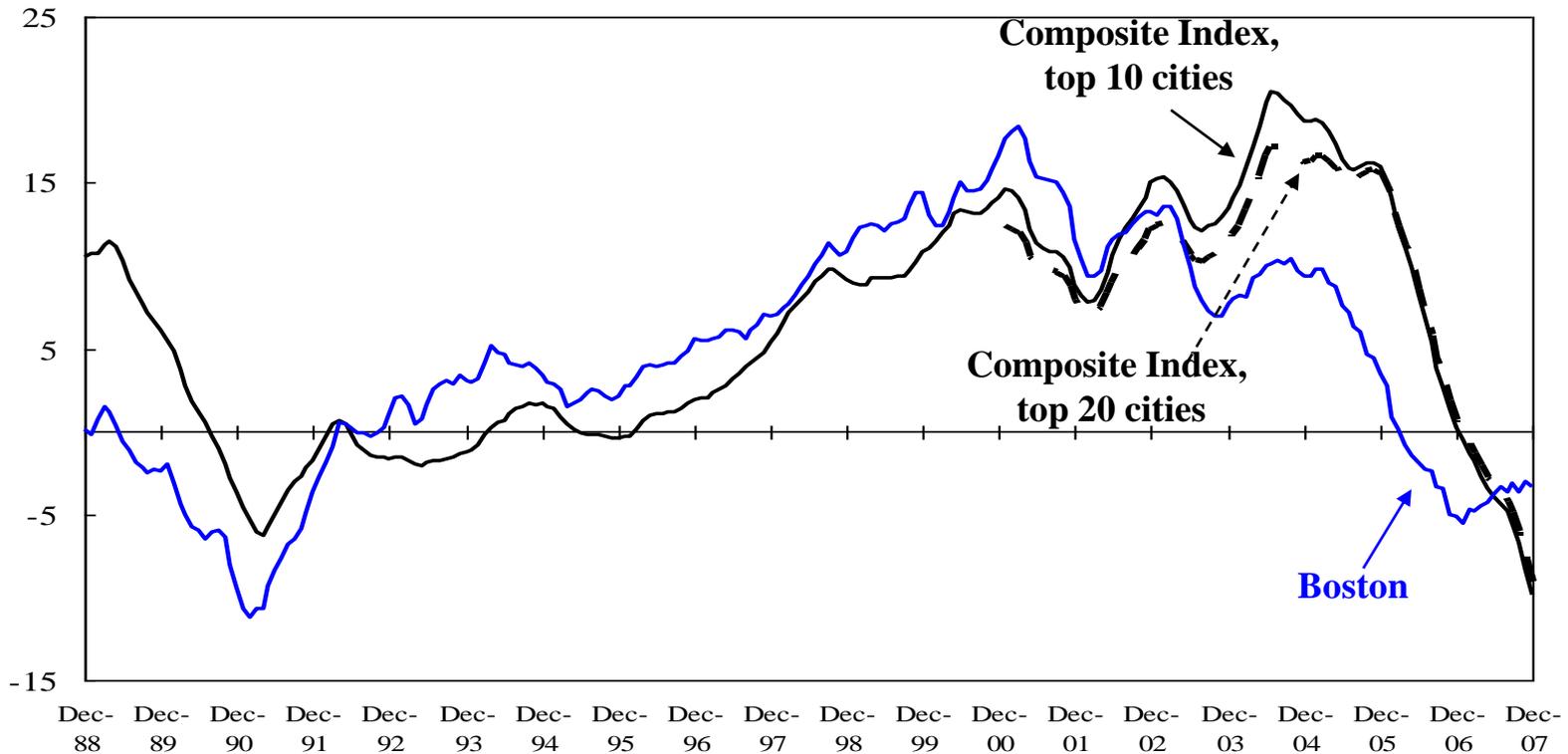


Source: OFHEO

House prices continued to fall in Boston, but not by as much as some metropolitan areas.

Percent Change from
Year Earlier

S&P/Case Shiller Home Price Indices



Source: S&P/Case Shiller

Boston had the smallest decline in house prices among the Composite 10 metro areas for 2007.

S&P/Case Shiller Home Price Indices

Composite index for top 10 cities

Composite index for top 20 cities

Boston

Chicago

Denver

Las Vegas

Los Angeles

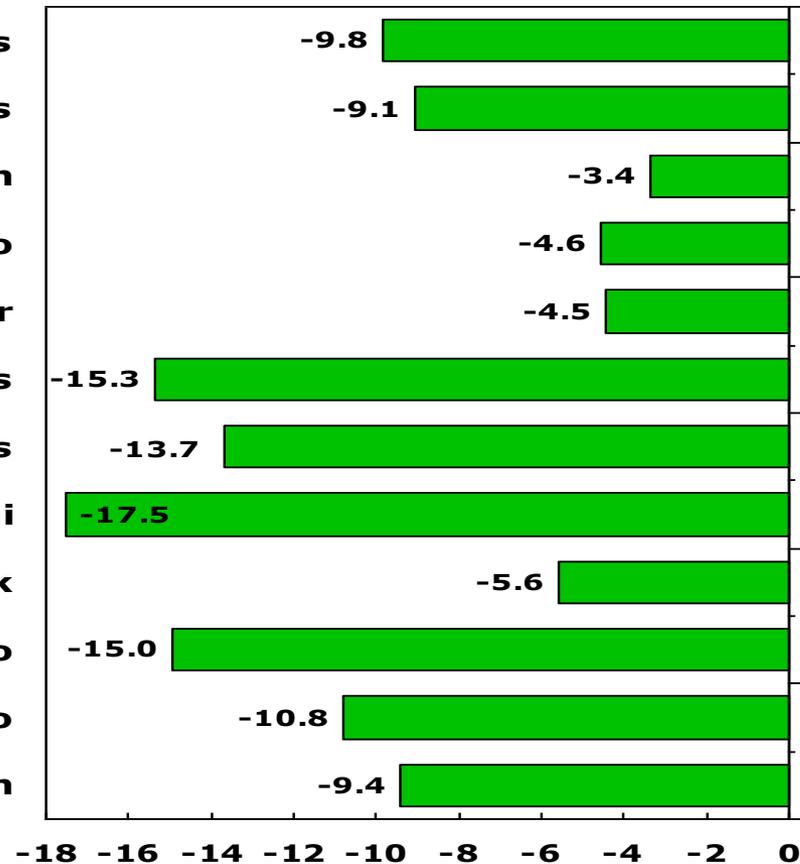
Miami

New York

San Diego

San Francisco

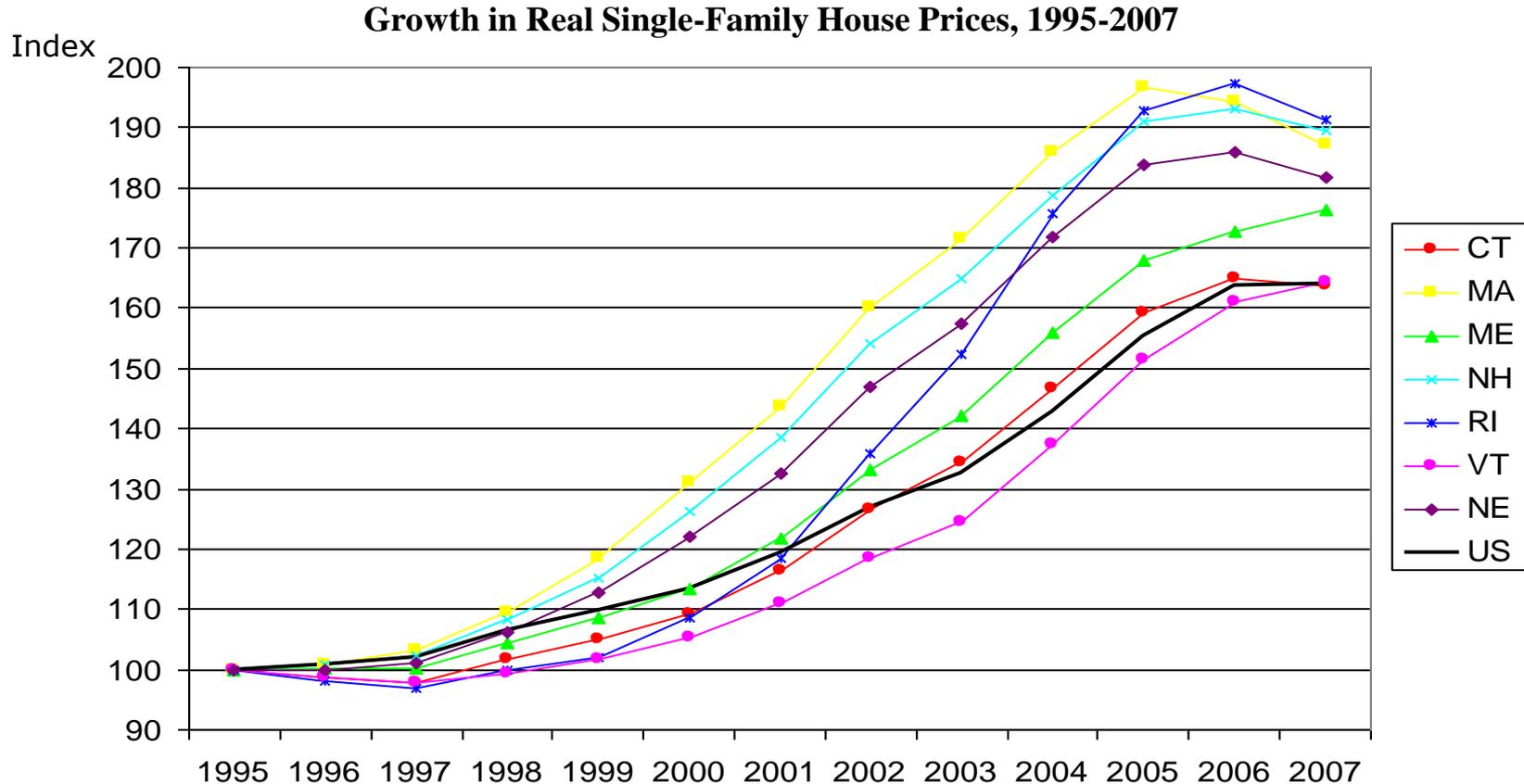
Washington



Percent Change, Dec 2006 – Dec 2007

Source: S&P/ Case-Shiller

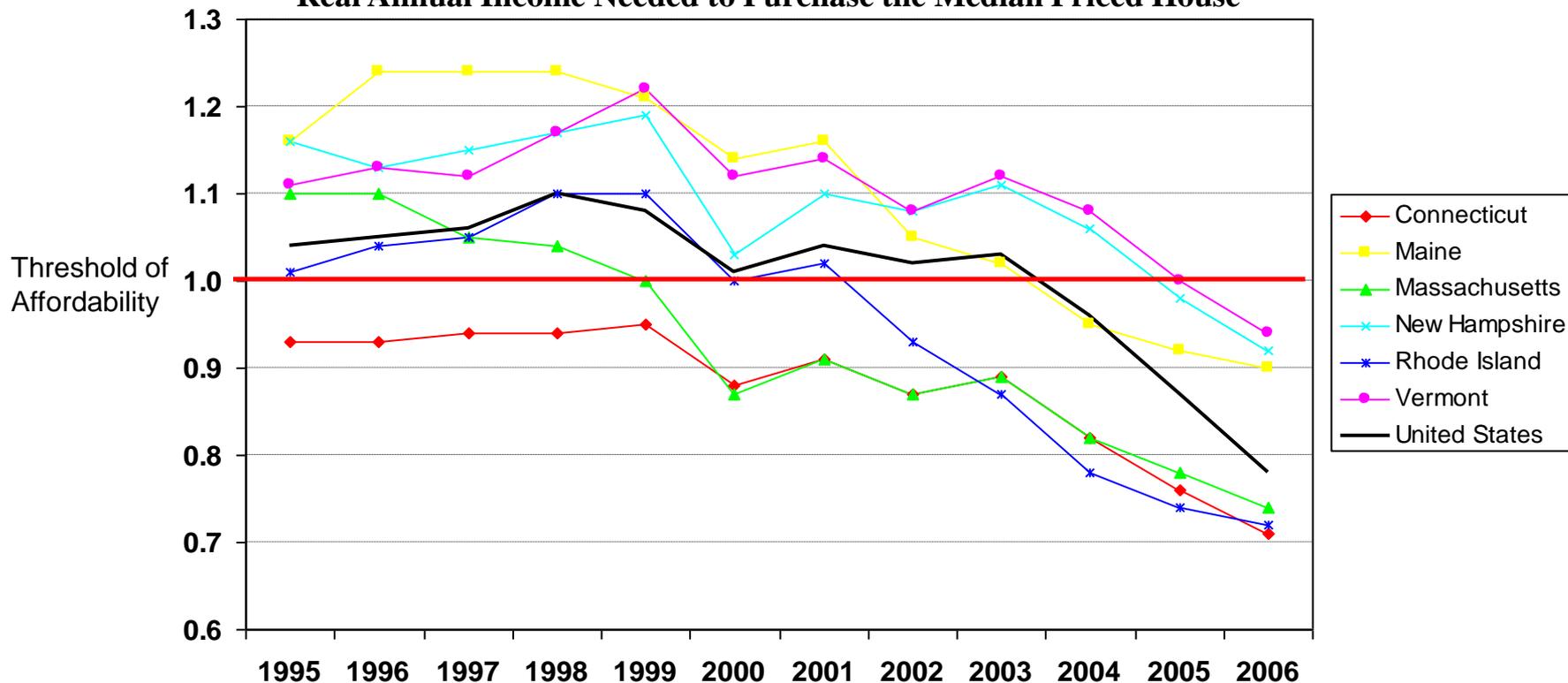
Yet despite the decline in prices, house price levels are still relatively high in New England.



Source: Authors' calculations based on the house price index calculated by the Office of Federal Housing Enterprise Oversight (OFHEO).
Notes: Adjusted for inflation using the Consumer Price Index, excluding shelter.

As of 2006, the affordability picture had not changed much for New England residents.

Ratio of Real Annual Median Household Income to Real Annual Income Needed to Purchase the Median Priced House



Notes:

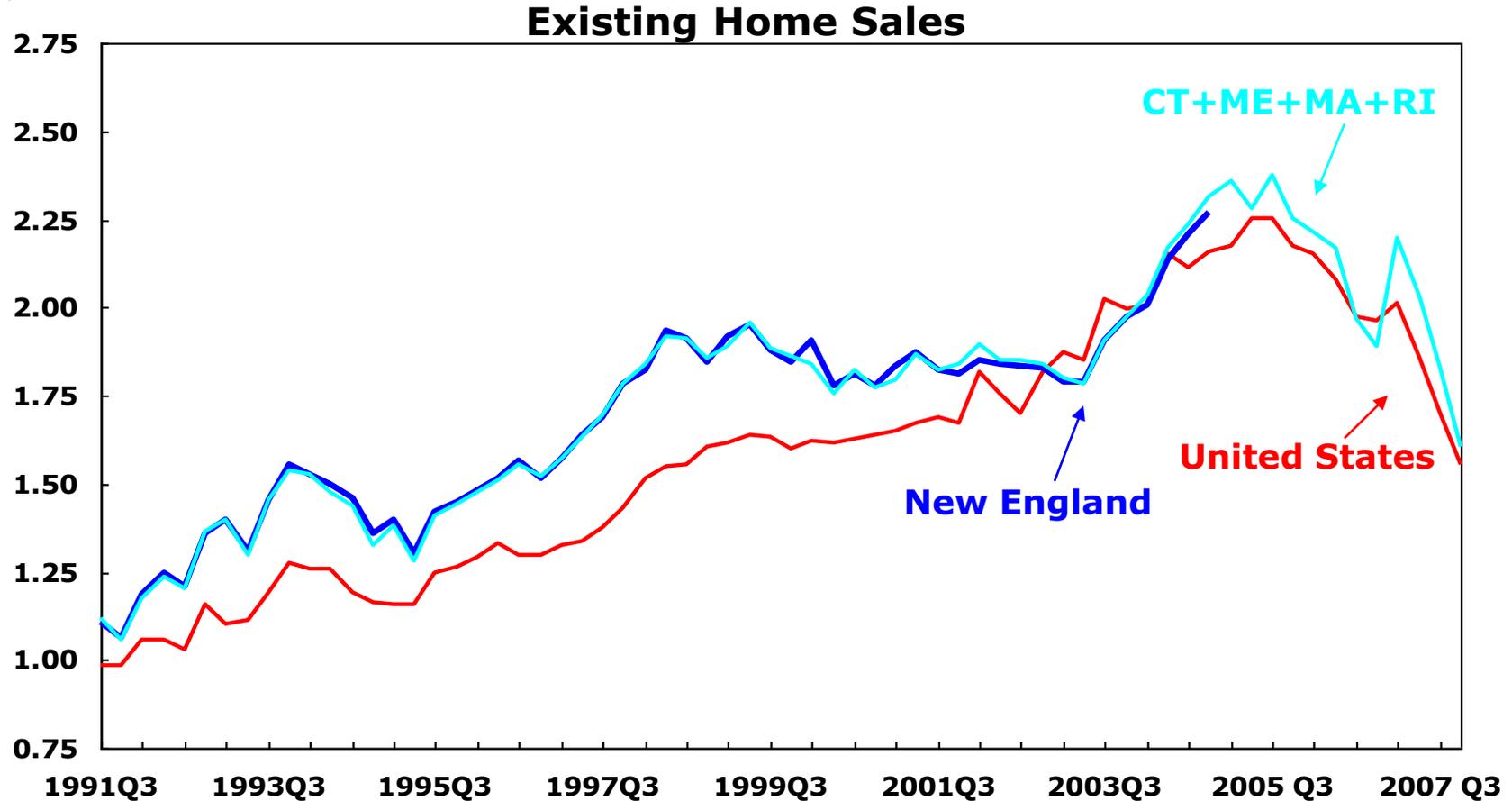
Annual median household income are three-year moving averages as calculated from the Current Population Survey for households where the head is age 25+ and is not enrolled in school, adjusted to \$2006 using the CPI-U.

Annual median income needed to purchase the median priced house are based on annual house prices as reported by the Federal Home Finance Bureau, adjusted by the OFHEO index and deflated by the CPI-U less shelter.

“Middle-income” households are those that fall into the 3rd quintile of the income distribution.

Existing home sales were down in New England, parallel to the national drop-off.

Index, 1990 = 1



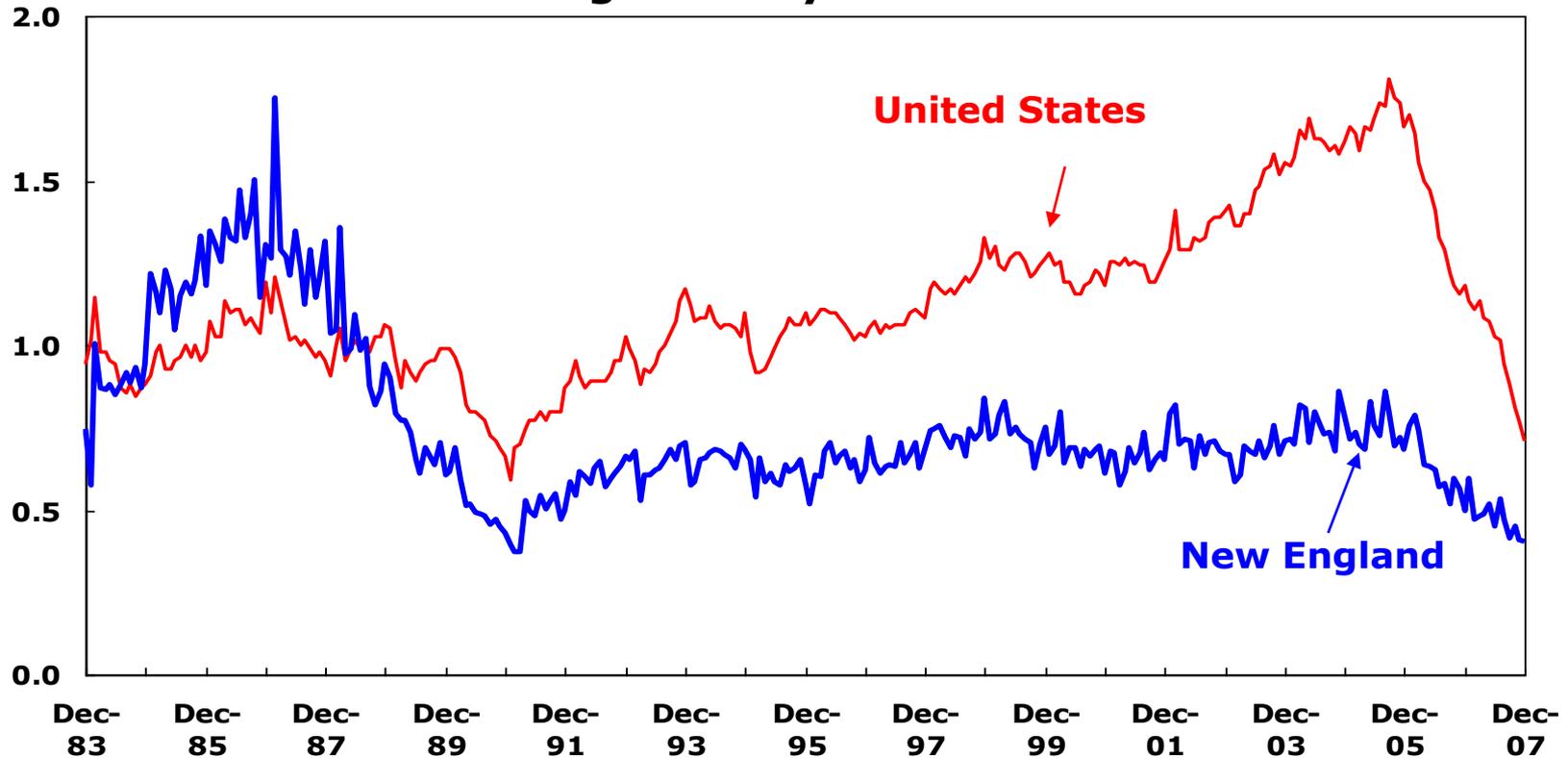
Source: National Association of Realtors.

Note: Data for New Hampshire and Vermont are not available for some quarters (data are missing).

Single-family housing permits in New England fell to levels seen in the early 1990s.

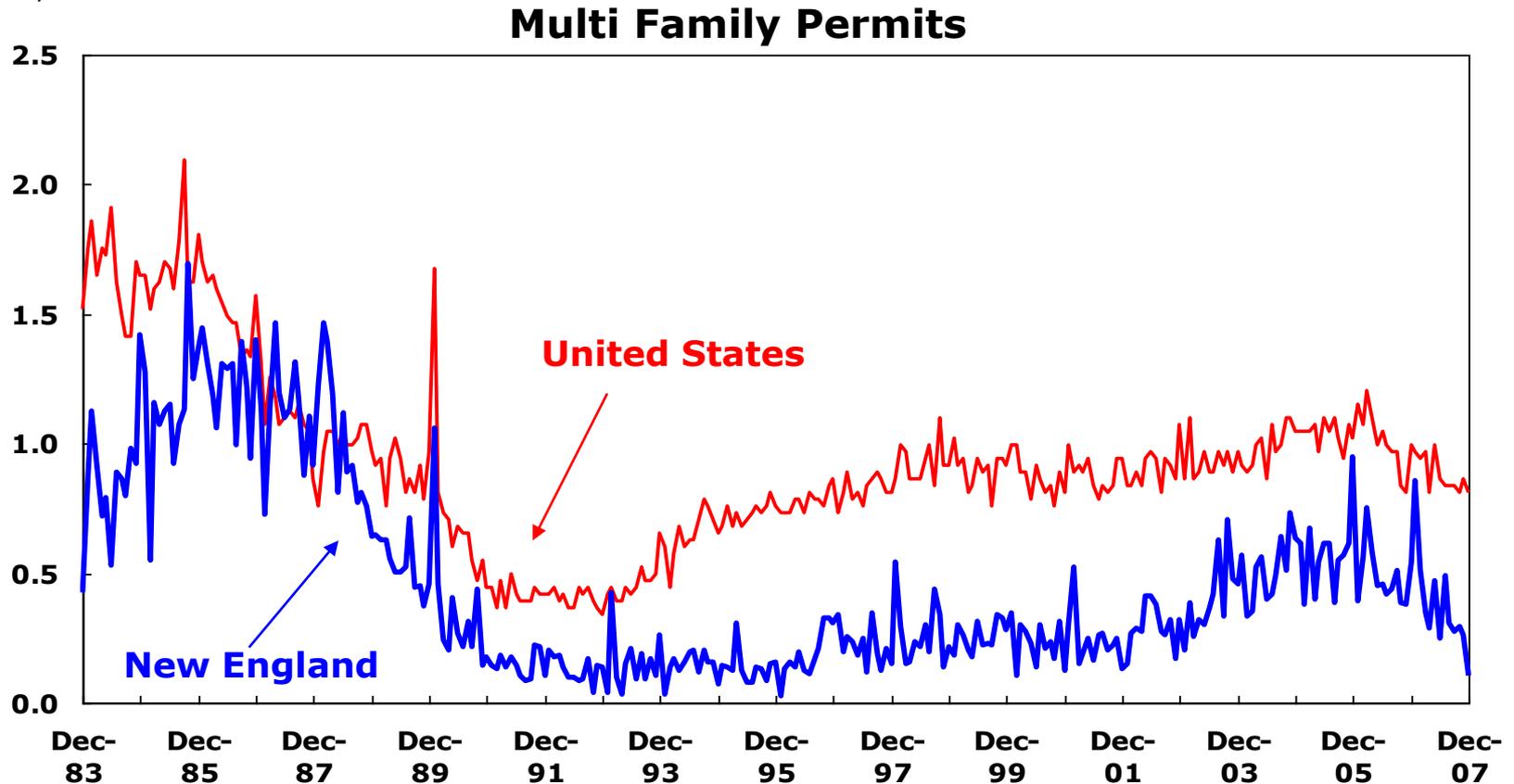
Index, 1988 = 1

Single Family Permits



Multi-family housing permits have fallen even further in New England.

Index, 1988 = 1

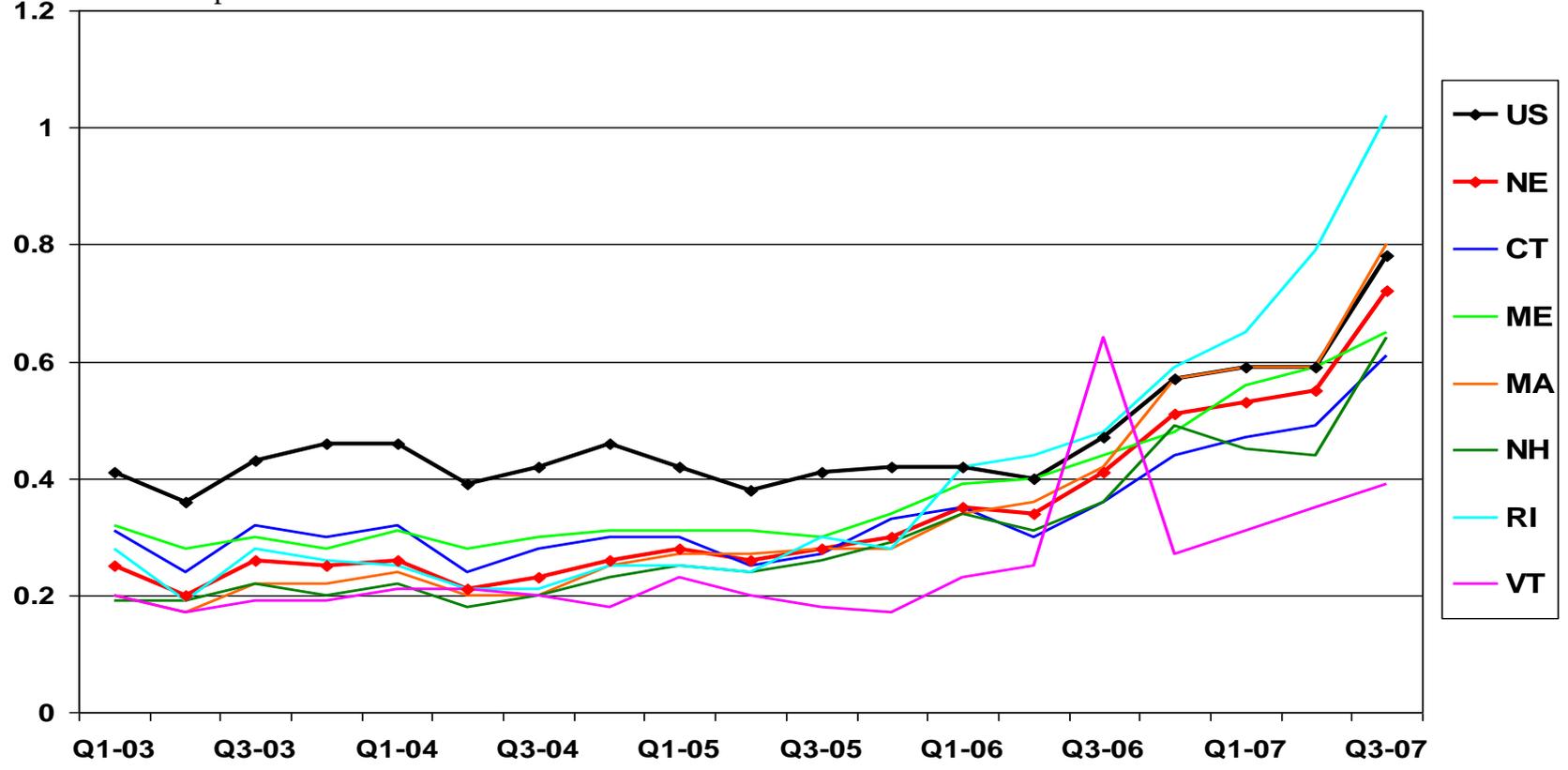


Source: U.S. Department of Commerce, Construction Statistics Division

Foreclosures reached record highs both in New England and nationally.

Foreclosures Started, All Loans

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

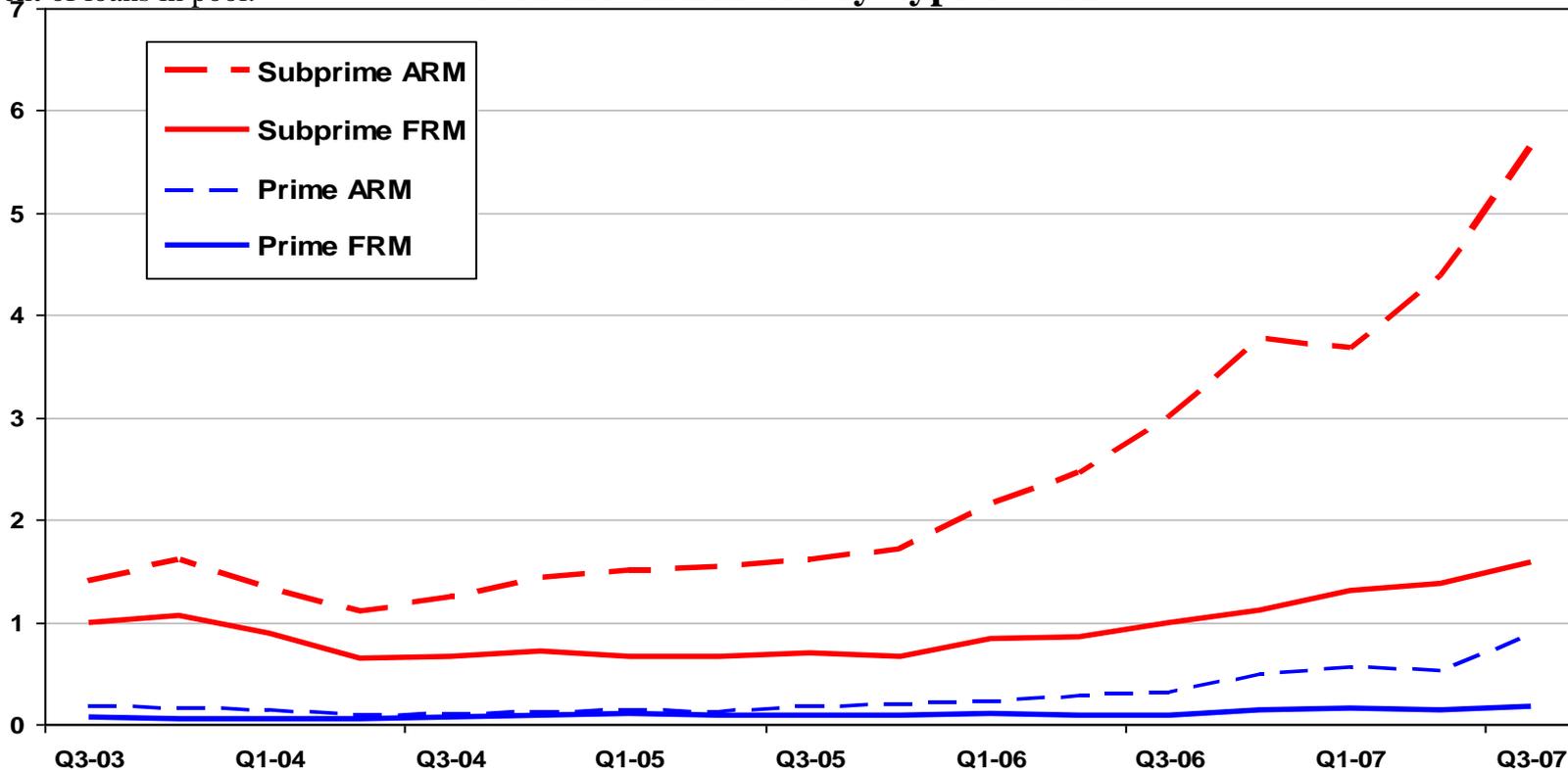


Source: Mortgage Bankers Association / Haver Analytics

Foreclosures rates in New England are highest for subprime ARM mortgages.

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

Foreclosures Started by Type of Loan



Source: Mortgage Bankers Association / Haver Analytics

New England Economic Partnership's Economic Outlook

Employment

- Employment forecast to grow slowly at 0.8 percent per year over the next three years, slightly below the national forecast.

Housing

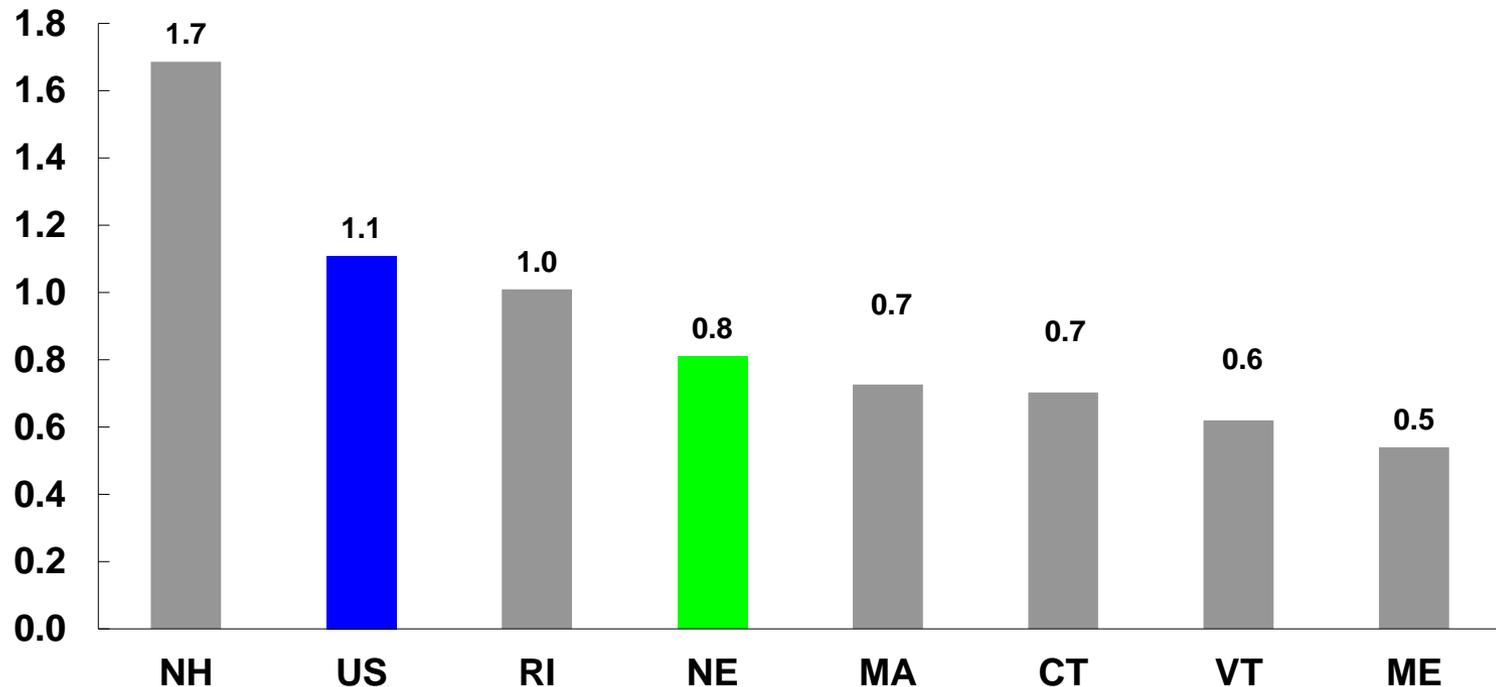
- House prices expected to decrease through the 2nd half of 2008 with slow recovery going forward, lagging the nation.

Overall Economic Growth

- Real gross product for the region is expected to grow 2.2 percent per year for 2008 through 2011, slower than the nation.
- Credit crisis and the housing market downturn are expected to slow growth through 2008.

Employment in New England is expected to grow slowly over the next 5 years.

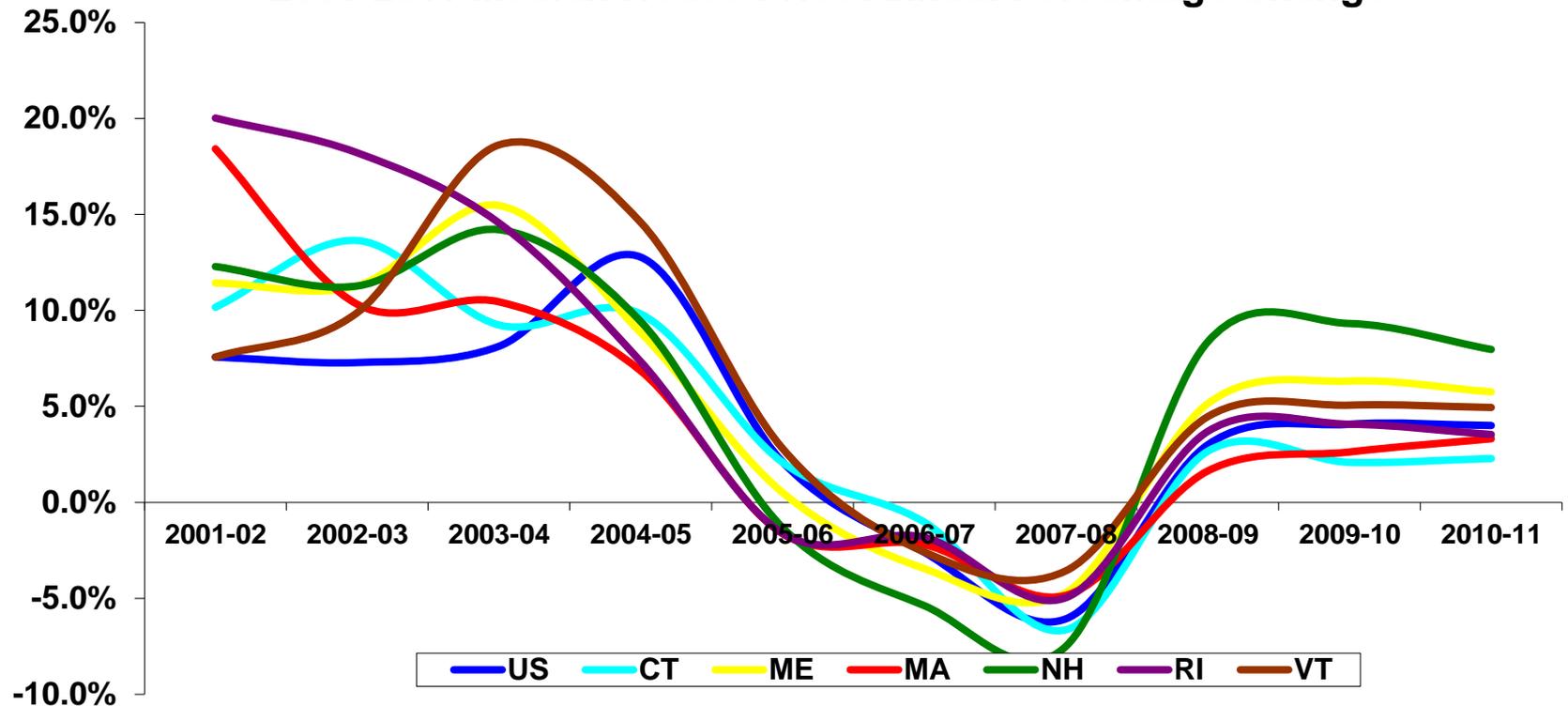
Average Annual Change: 2006-11 Total Employment



Source: New England Economic Partnership.

House prices are expected to fall through the second half of 2008 then slowly recover.

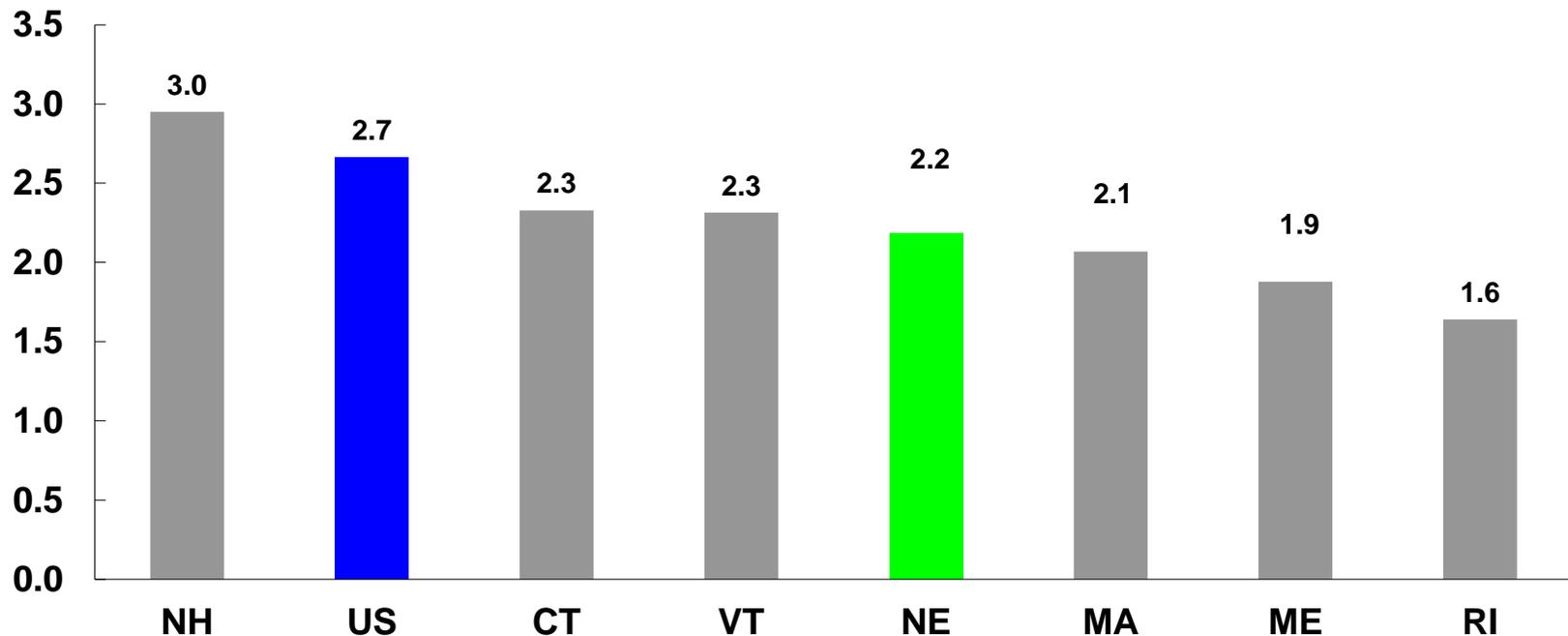
2001-2011 Median House Price Annual Percentage Change



Source: New England Economic Partnership.

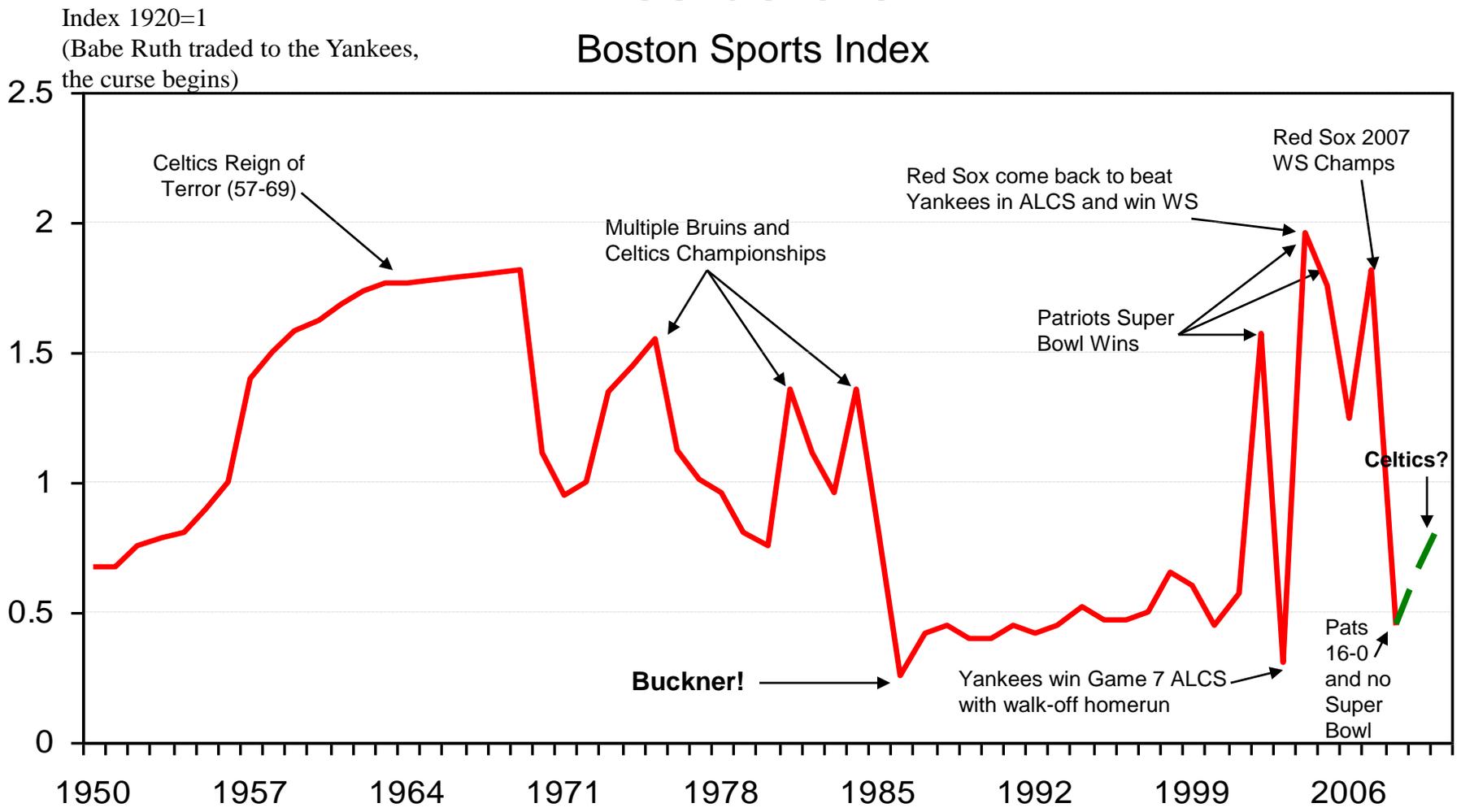
New England is expected to grow slower than the nation on average through 2011.

Average Annual Change: 2006-11 Gross State Product



Source: New England Economic Partnership.

But New England has been through tough times before...



Notes: Red Sox given favorable weights.
Yankees suck.

