

The Economic Recovery in New England and the Nation

Regional & Community Bankers Conference
November 8, 2011

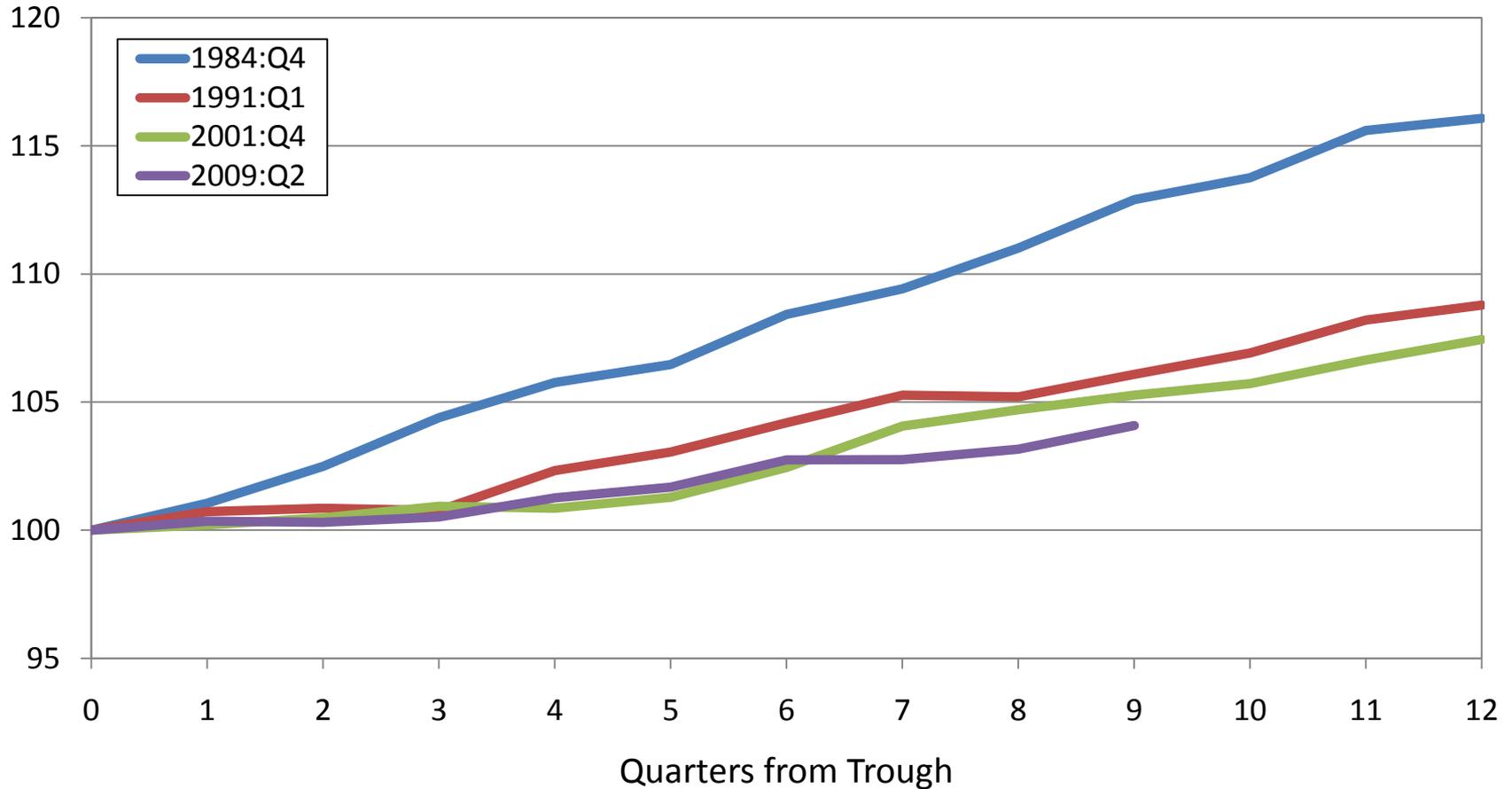
Yolanda Kodrzycki
Vice President and Director, NEPPC
Federal Reserve Bank of Boston

The economic recovery continues to be slow.

Real Growth in Final Sales* from Trough of Last Four Recessions

*Final sales = GDP less inventory replenishment

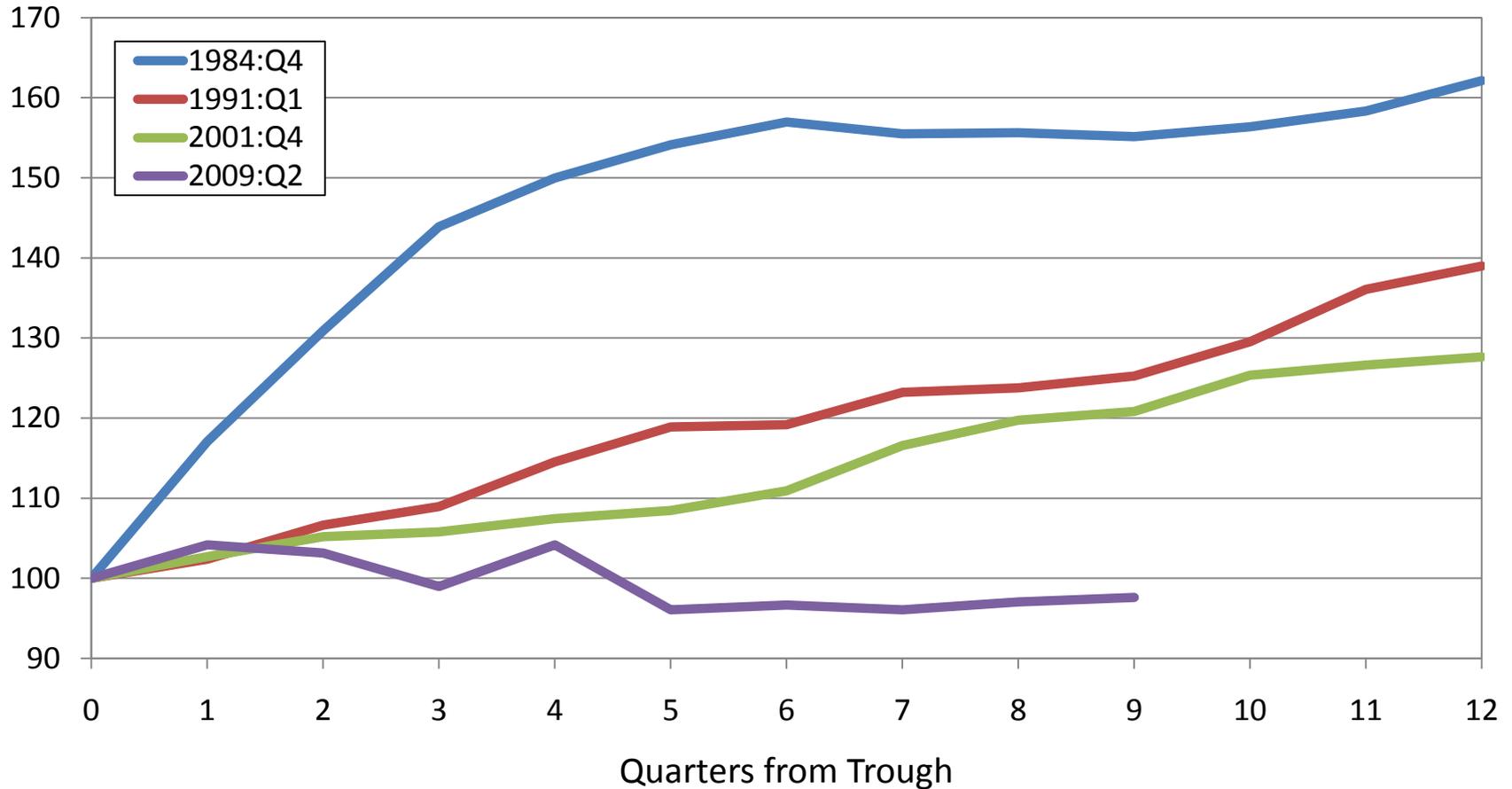
Index, Trough=100



Housing is not playing its usual role in the recovery.

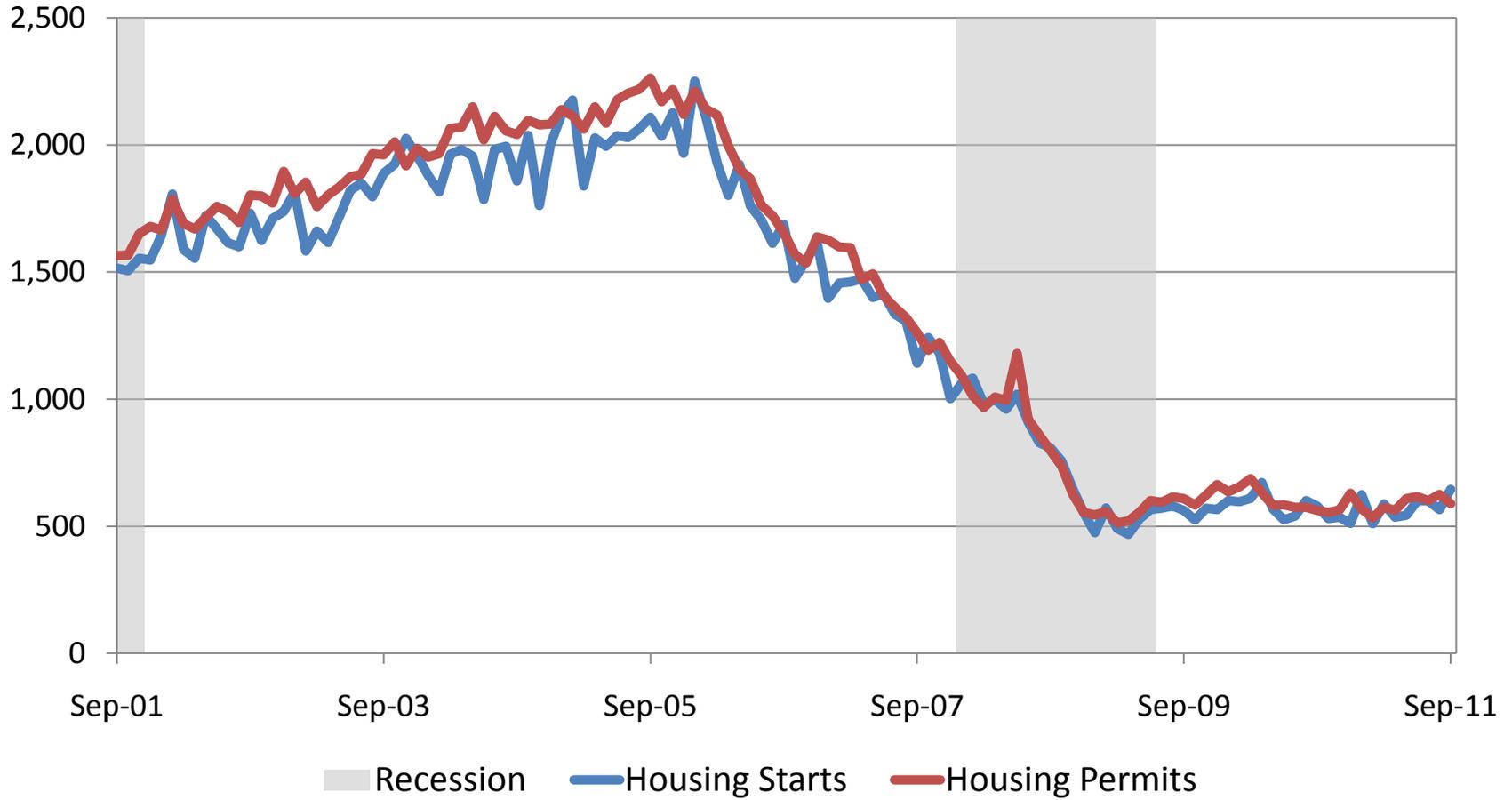
Real Growth in Residential Fixed Investment from Trough of Last Four Recessions

Index, Trough=100



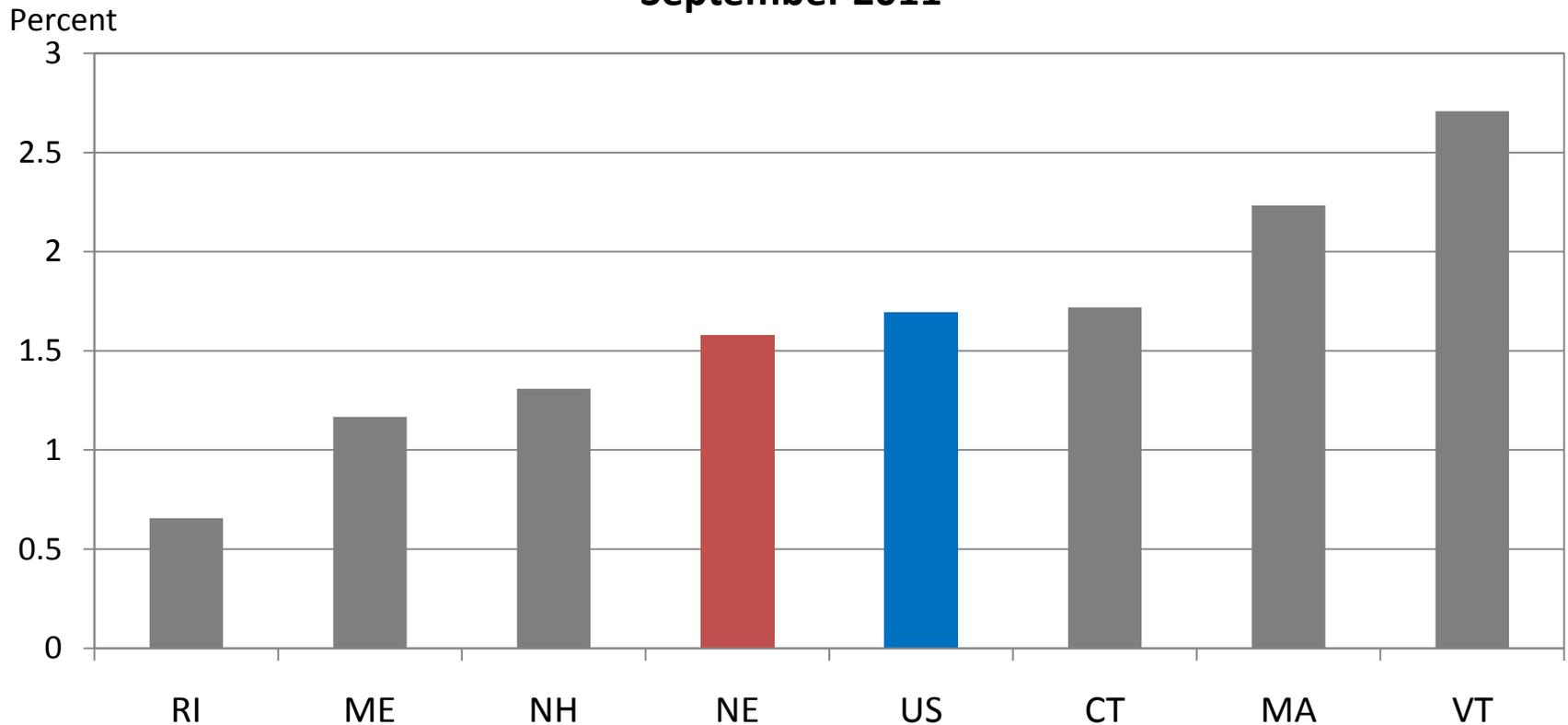
Housing starts and permits remain at one-quarter of their pre-recession peak levels.

Thousands of Units, Seasonally Adjusted



Job recovery has varied across the New England states.

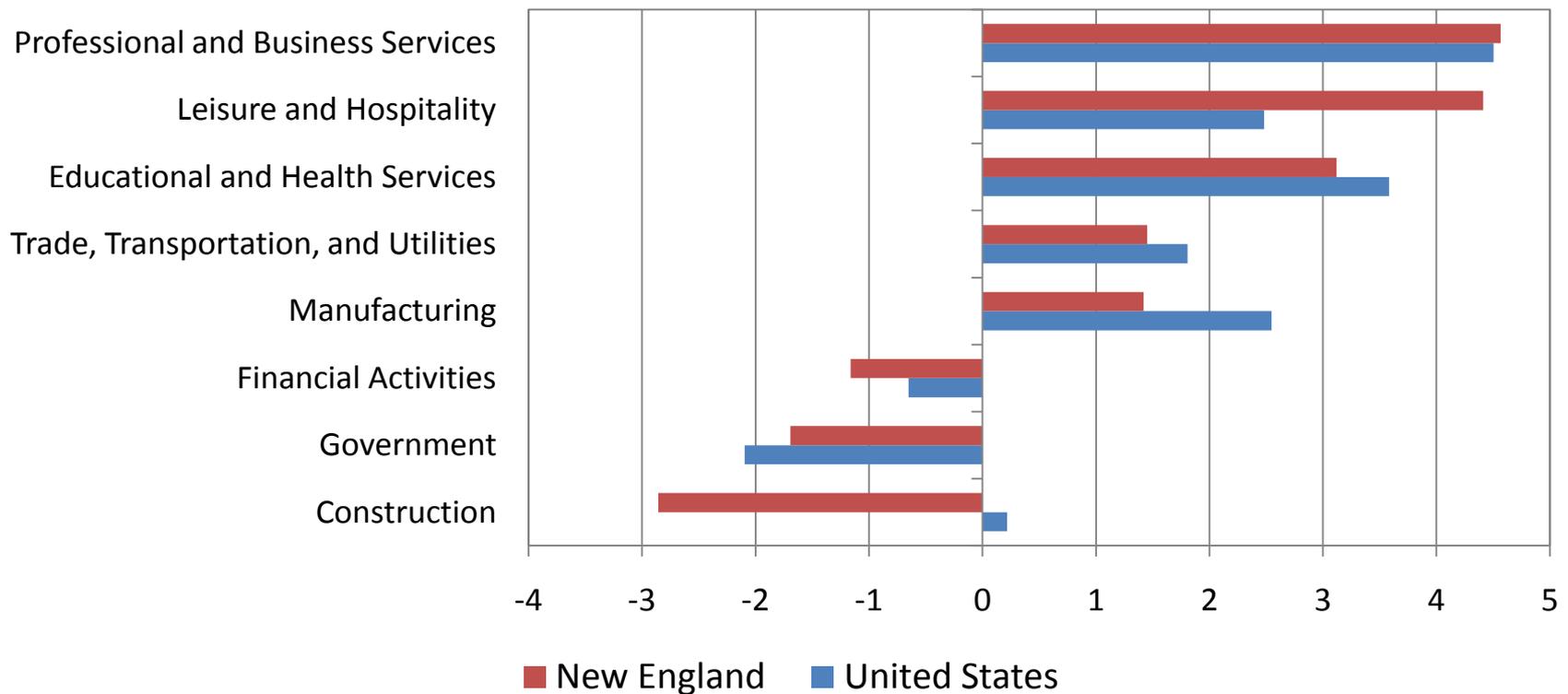
Change in Nonfarm Employment from US, NE, or State Trough to September 2011



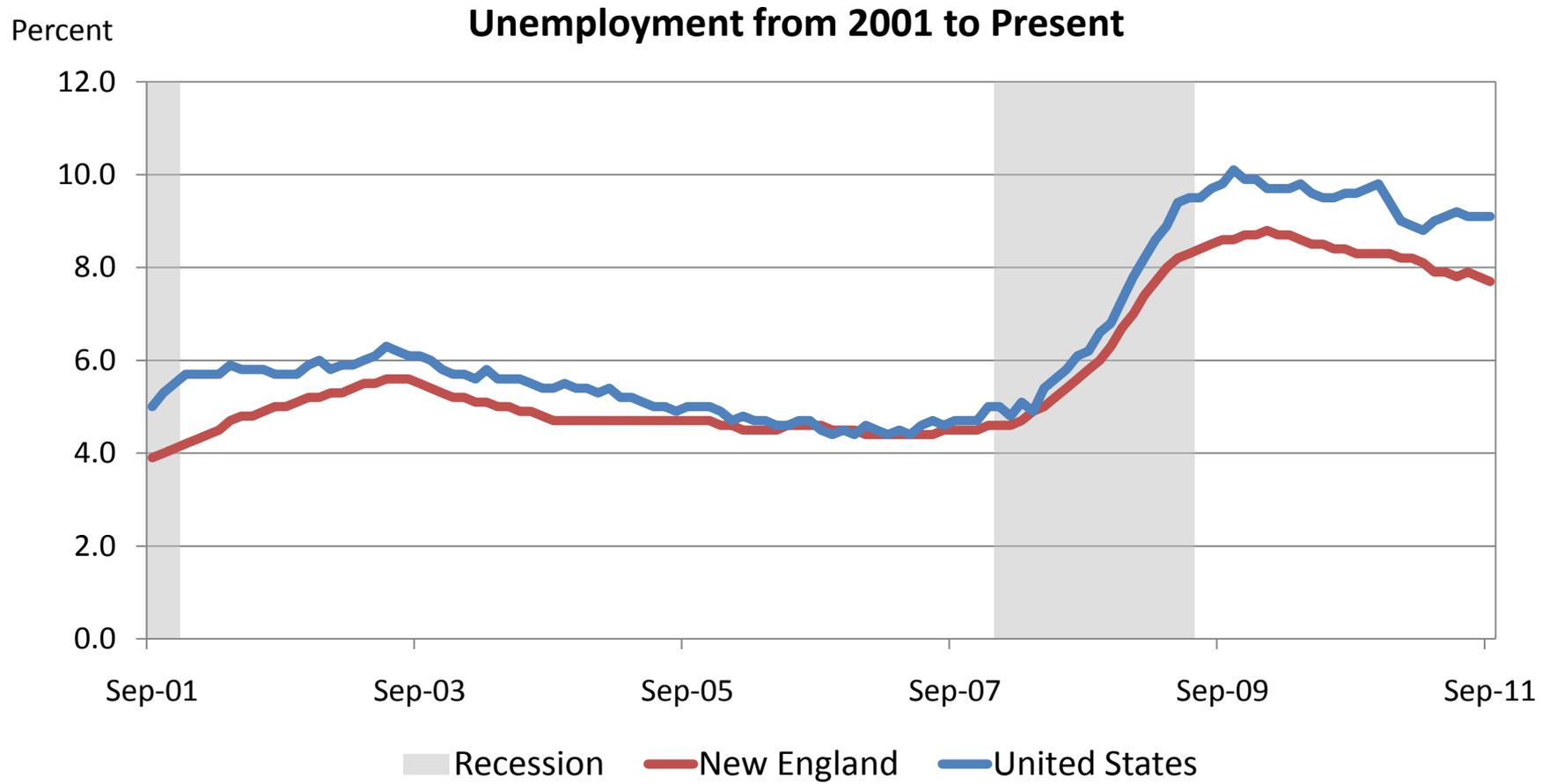
Source: Calculations Based on Bureau of Labor Statistics Data/Haver Analytics

NE's construction, government, and financial sectors have fewer jobs now than at the business cycle trough. Other sectors have added jobs.

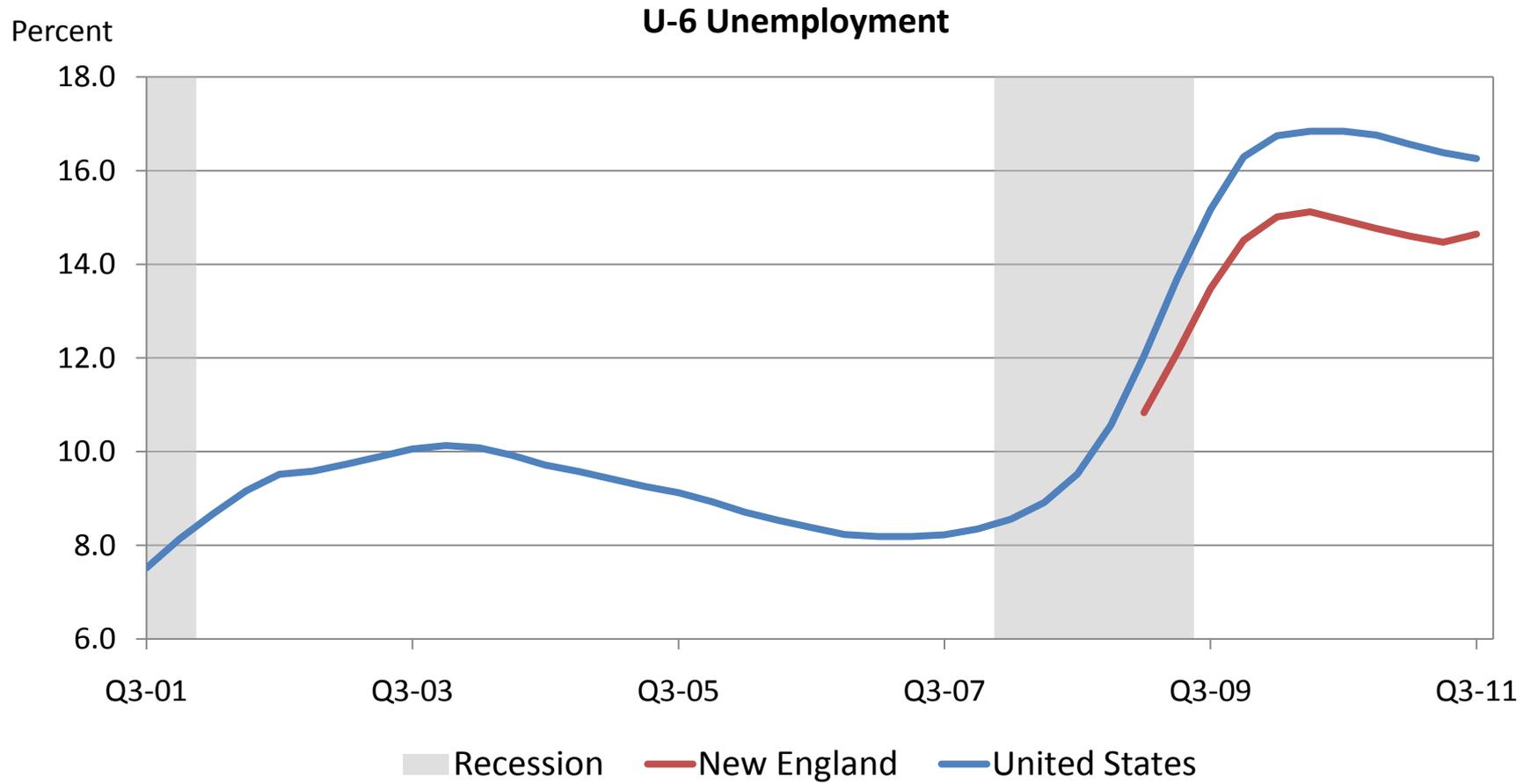
**Percent Employment Change from
New England or US trough to September 2011**



New England's unemployment rate has remained below the national rate and continues to edge down.



“Hidden” unemployment remains a serious problem both nationally and in New England.



Source: Calculations Based on Bureau of Labor Statistics Data/Haver Analytics

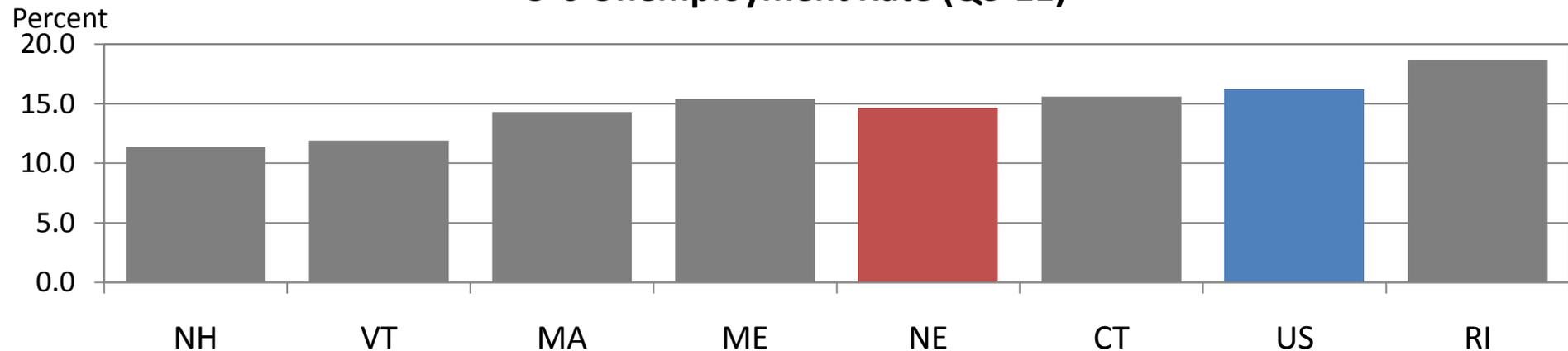
Note: US data based on four-quarter moving averages while NE data based on twelve-month moving averages.

Rhode Island is the only New England state with higher joblessness than the nation.

Unemployment Rate (Sep-11)



U-6 Unemployment Rate (Q3-11)

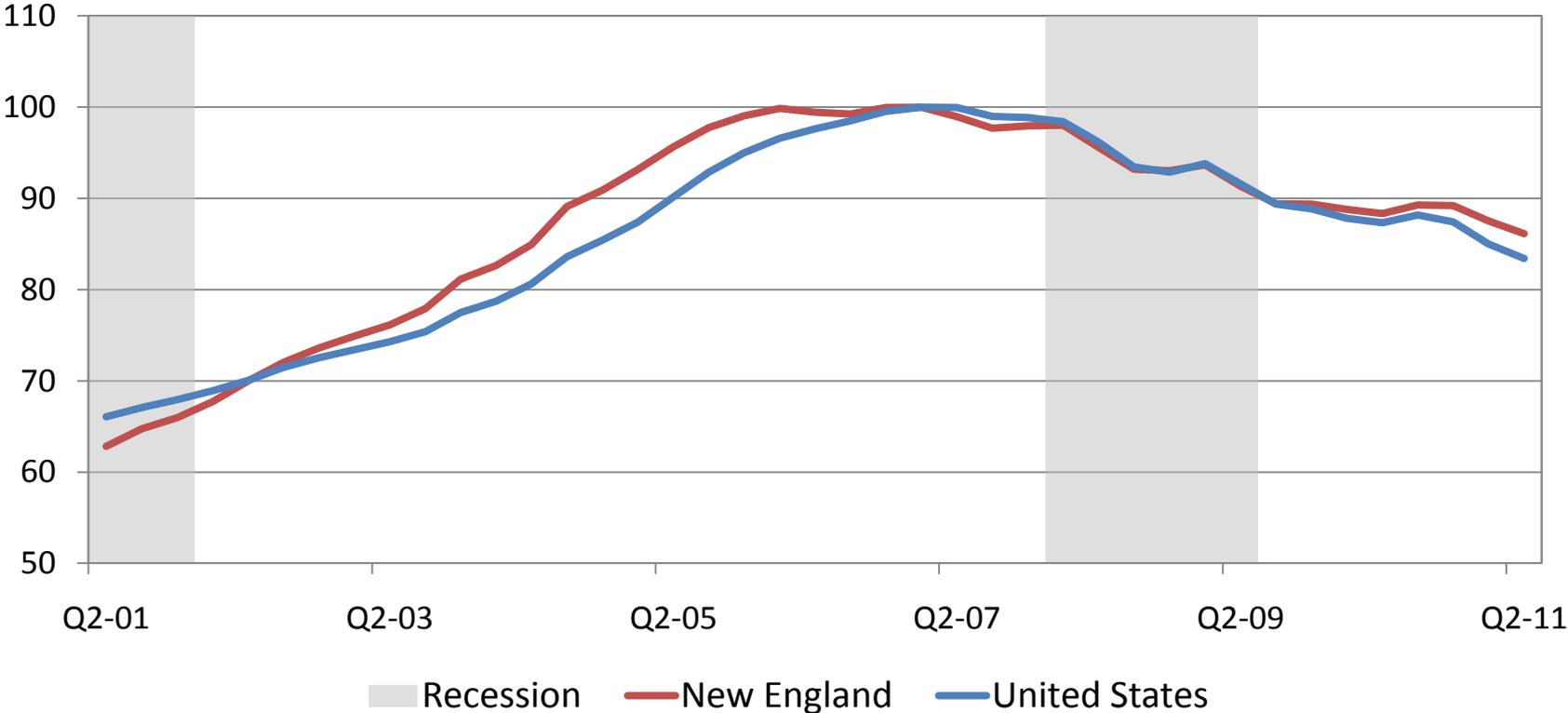


Source: Calculations Based on Bureau of Labor Statistics Data/Haver Analytics

Note: US data based on four-quarter moving averages while NE and state data based on twelve-month moving averages

Average house prices have fallen to their 2004 levels.

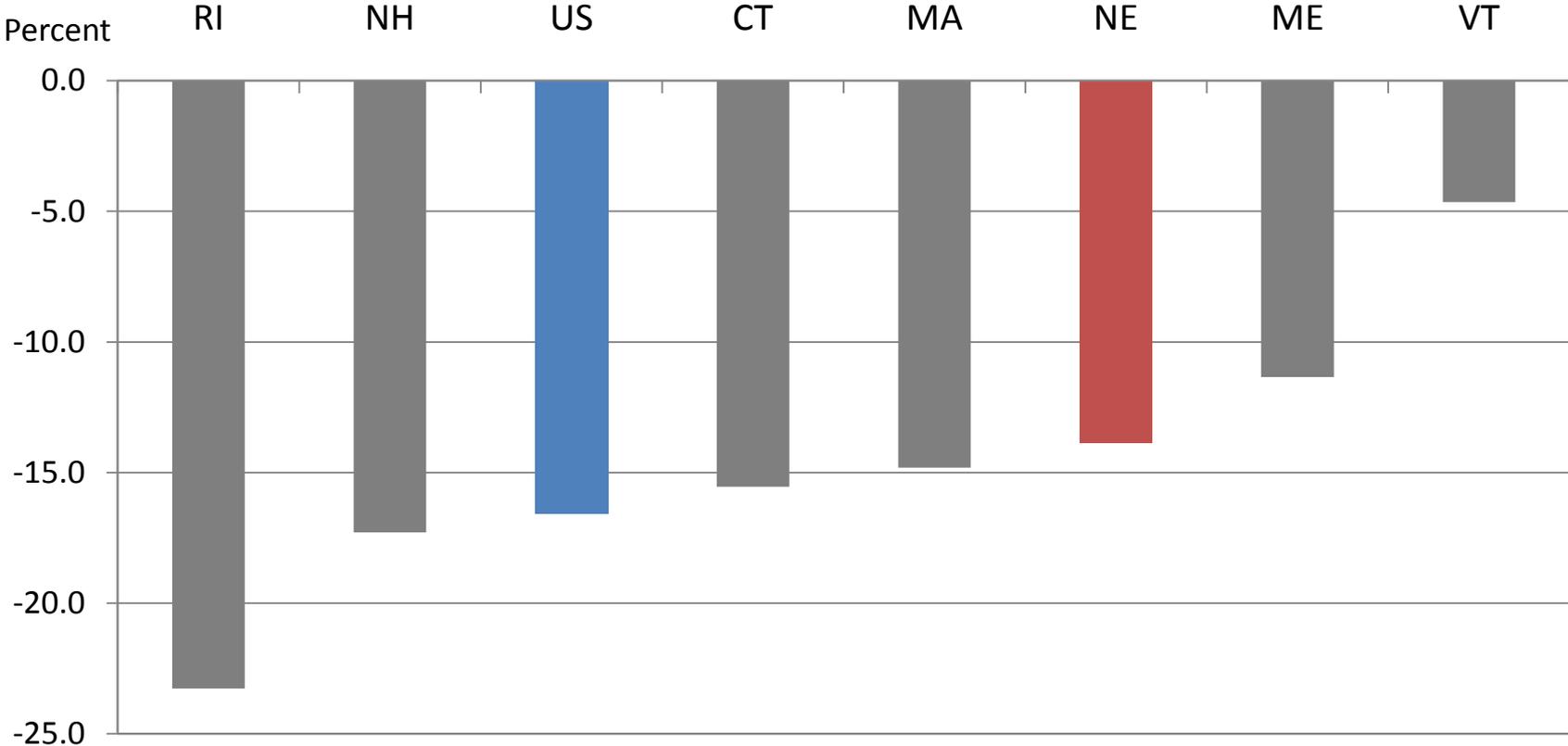
FHFA House Price Index
(Peak=100)



Source: Federal Housing Finance Authority/Haver Analytics

In general, New England's housing market has fared better than the nation's.

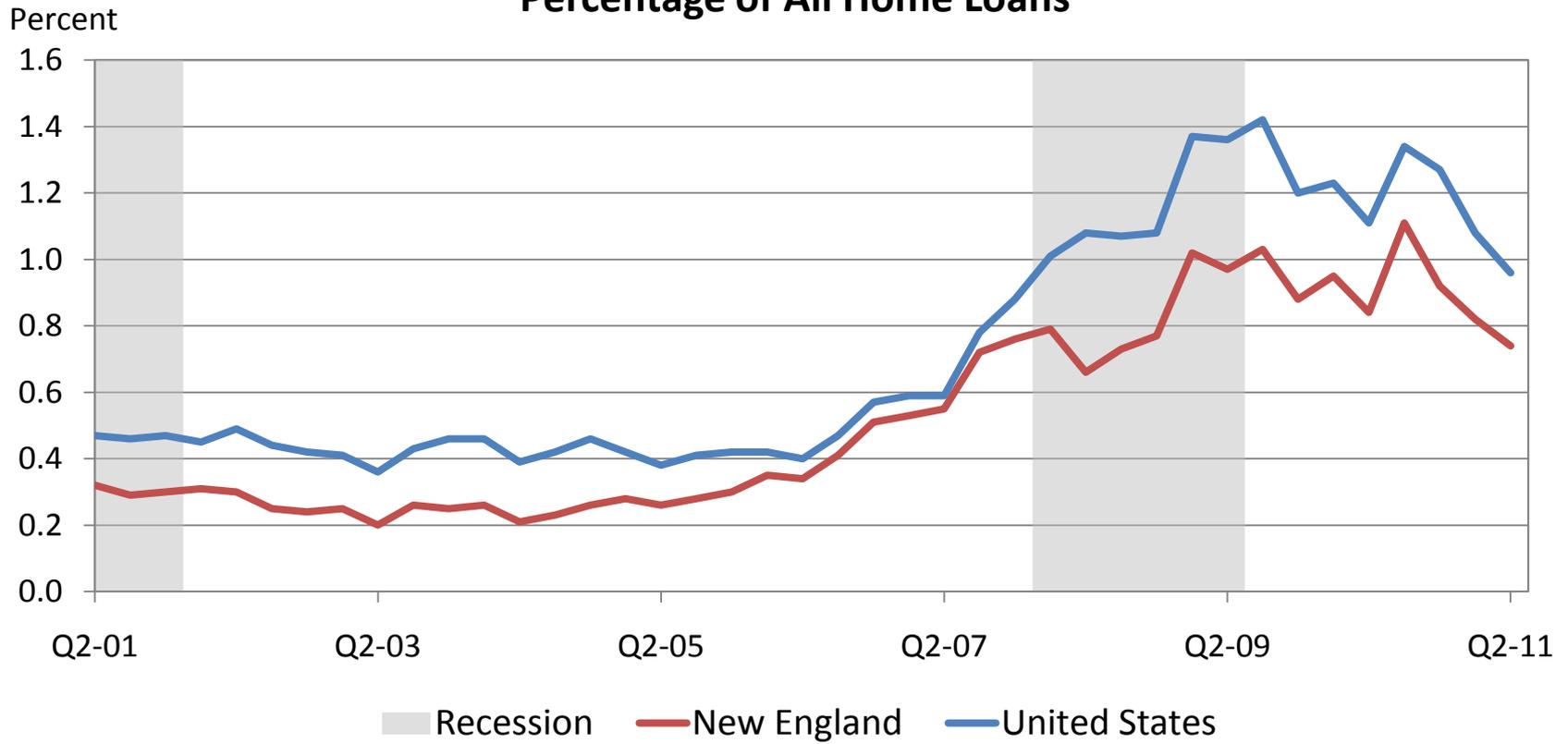
Percentage Change in FHFA House Price Index since peaks



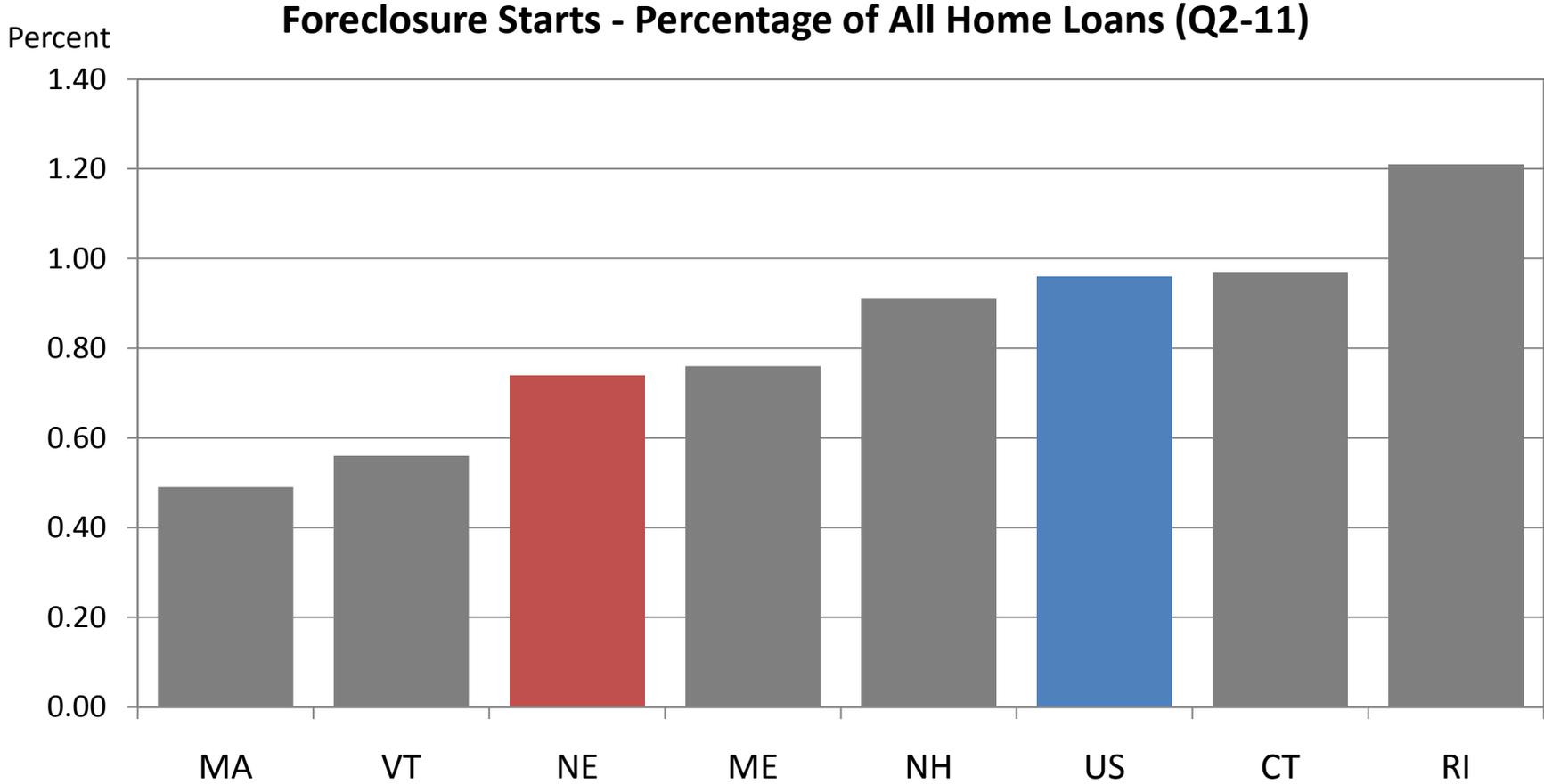
Source: Calculations based on Federal Housing Finance Authority/Haver Analytics

Foreclosures have fallen but remain elevated.

Foreclosure Starts- Percentage of All Home Loans



Massachusetts and Vermont have the lowest foreclosure rates in NE.



Source: Mortgage Bankers Association/Haver Analytics

Federal Reserve officials expect moderate GDP growth , stubbornly high unemployment, and modest inflation in 2012 and 2013.

	Actual	November 2011 Forecast			
	CY 2011 Q3	CY 2011 Q4	CY 2012 Q4	CY 2013 Q4	Longer Run
Real GDP growth (%)	2.5	1.6 to 1.7	2.5 to 2.9	3.0 to 3.5	2.4 to 2.7
Unemployment rate (%)	9.1	9.0 to 9.1	8.5 to 8.7	7.8 to 8.2	5.2 to 6.0
PCE inflation (%)	2.4	2.7 to 2.9	1.4 to 2.0	1.5 to 2.0	1.7 to 2.0

Source: Federal Open Market Committee, Summary of Economic Projections for the Meeting of November 1-2, 2011. Bureau of Labor Statistics and Bureau of Economic Analysis/Haver Analytics. Table shows central tendencies among the Federal Reserve Board governors and Federal Reserve Bank presidents.

Note: Table entries are fourth-quarter-to-fourth-quarter growth rates except for the unemployment rate, which is the fourth quarter level. PCE = personal consumption expenditures.

Federal Reserve monetary policy to remain accommodative

- Target federal funds rate remains near zero and is expected to remain in this range until mid 2013.
- Fed rolling over longer-term securities as they mature in an effort to hold-down longer term rates.
- FOMC statement cited downside risks in global financial markets.
- U.S. appears headed toward tighter fiscal policy.

Summary

- The slow but pretty steady recovery has entered its third year.
- New England (except RI) doing better than U.S. by many measures.
- The most pressing risks to the regional economy are outside New England policymakers' control.