

New England Economic Snapshot

October 2009

Summary

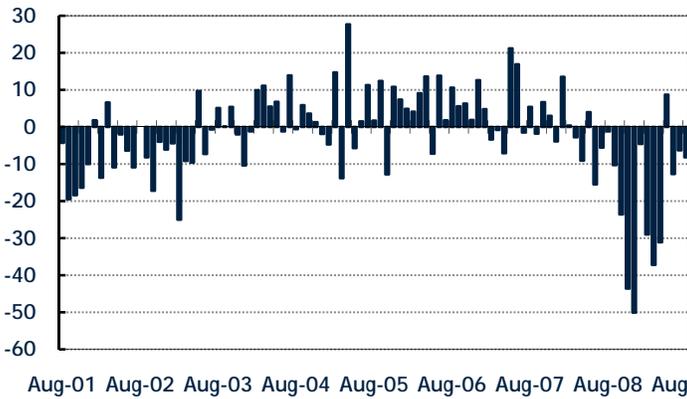
While the New England economy remains very weak by historical standards, the most recent data provide some tentative signs of recovery, most notably in the residential housing market. The region continued to lose jobs, but at a

slower pace than previously. Chairman Bernanke recently declared that the recession may be over, and positive growth is predicted for the U.S. during the fourth quarter of 2009. While signs of a national recovery bode well for New England, significant risks remain in the outlook.

Regional Unemployment Rates Edge Up in August

New England's unemployment rate edged up again in August, to 8.8 percent from July's 8.6 percent reading. Connecticut and Massachusetts each saw an increase of 0.3 percentage points since July, while the other states saw more moderate increases or, in the case of Vermont, no change in unemployment. Regionally, August unemployment rates were significantly lower than the national rate of 9.7 percent. The exception is Rhode Island, which broke the previous month's record to achieve an all-time high rate of 12.8 percent. This is significantly higher than the national rate and the third highest rate in U.S.

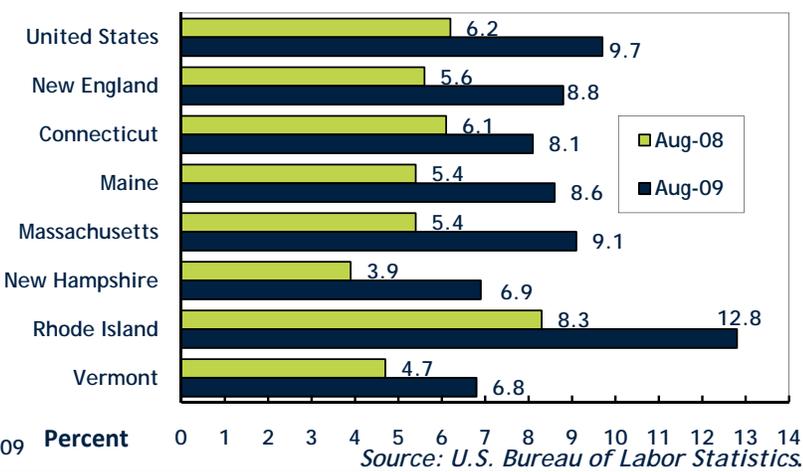
Monthly Employment Change in New England



Employment Growth



Unemployment Rates in the United States and New England

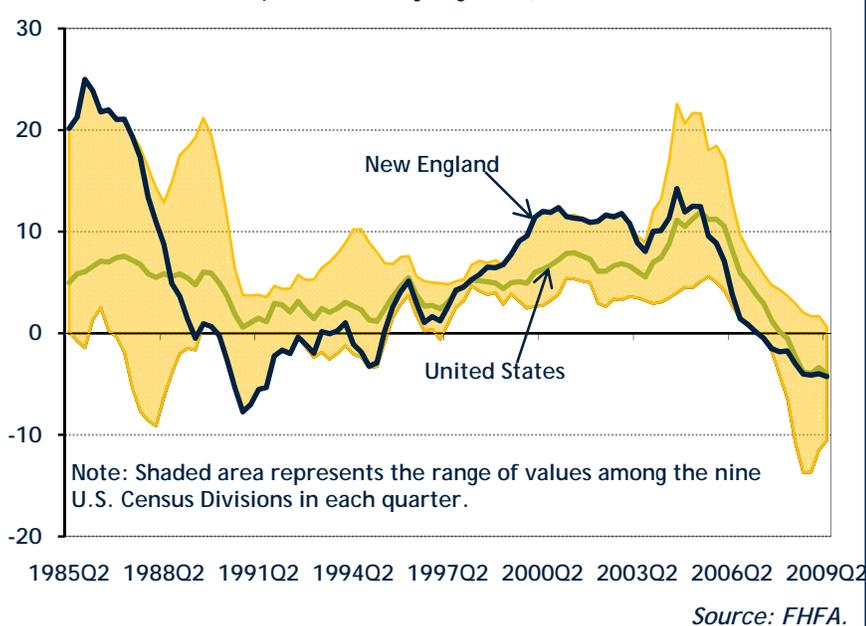


Mixed Signals: Have Home Prices Bottomed Out?

Different house price indexes yield mixed signals as to whether house prices have bottomed out yet. According to FHFA data, New England house prices fell at a faster rate year-over-year to Q2 than to Q1. Based on this index, New England's home price declines continued to track closely the U.S. declines (4 percent year-over-year Q2), placing the region in the middle of the census pack.

Countering these trends, purchase-only house price indexes gave signs that house prices have started to rise for the first time since the housing bust began, or at least that the pace of decline is slowing. The FHFA's purchase-only index for New England fell 3.2 percent year-over-year to Q2 2009, an improvement from the 5.5 percent year-over-year depreciation rate observed in Q4 2008, while the Case-Shiller index of house prices for Boston increased over-the-month in both May (up 1.6 percent) and June (up 2.6 percent).

FHFA House Price Indexes (Not seasonally adjusted)



Foreclosure Originations Fall; Serious Delinquencies Rise

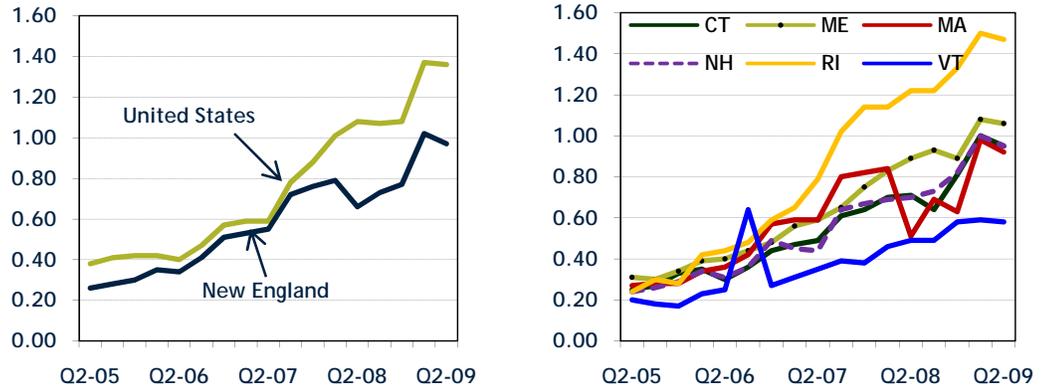
Foreclosure initiations in New England dropped .05 percentage points in Q2 2009 from the previous quarter. It should be noted, however, that an even larger decline was observed in Q2 2008 and was subsequently reversed, and the data are not seasonally adjusted.

Initiations are still well above their year-ago levels in all New England states. Relative to Q2 2008, Massachusetts saw the largest percentage-point increase (0.4) and Vermont the smallest (0.1). For the U.S., foreclosure initiations fell by just .01 percentage point.

The percentage of seriously delinquent mortgages (90 days past due or in foreclosure) rose again in Q2 2009, reaching an all-time high of 8 percent for the U.S., and reaching the highest level (6.3 percent) in New England since early 1990s.

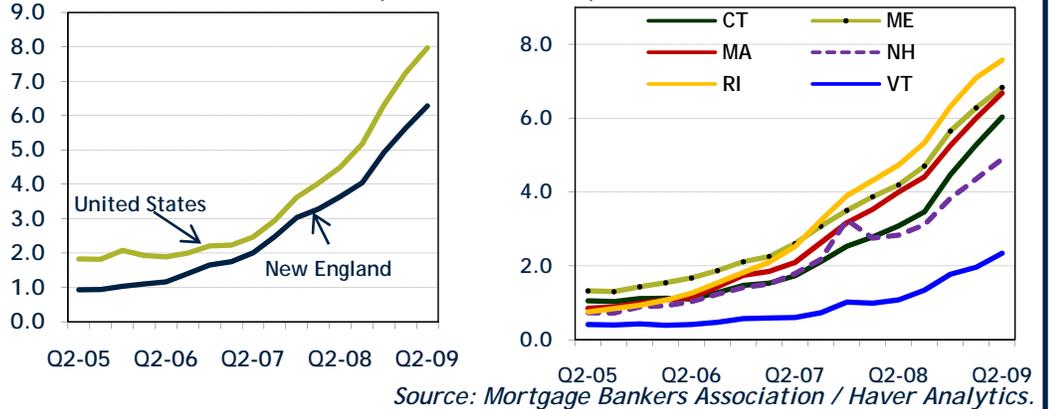
Foreclosures Started, All Loans

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.

Recession Appears to Be Bottoming Out in New England

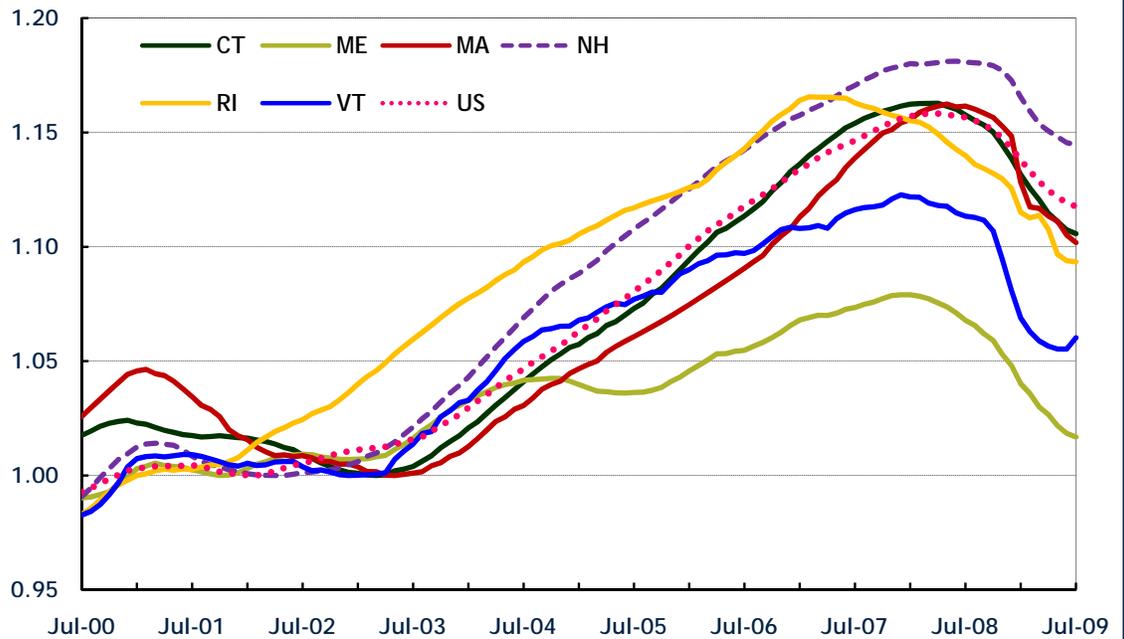
The Philadelphia Fed's coincident indexes declined again in July for five of the six New England states and for the U.S.

The pace of decline moderated in each case compared to June, indicating that the bottom of the recession may be approaching for both the region and the country.

Vermont's index edged up modestly, indicating that a tentative recovery may have begun in the state.

Coincident Indexes

Each State's Post-Recession Trough = 1



Note: The Rhode Island index does not have a post-recession trough. It is equal to 1 at the U.S. trough. Source: The Federal Reserve Bank of Philadelphia.

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 September 18, 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.