

The New England Economy

May 13, 2009

Massachusetts' Society of CPAs
Boston, MA

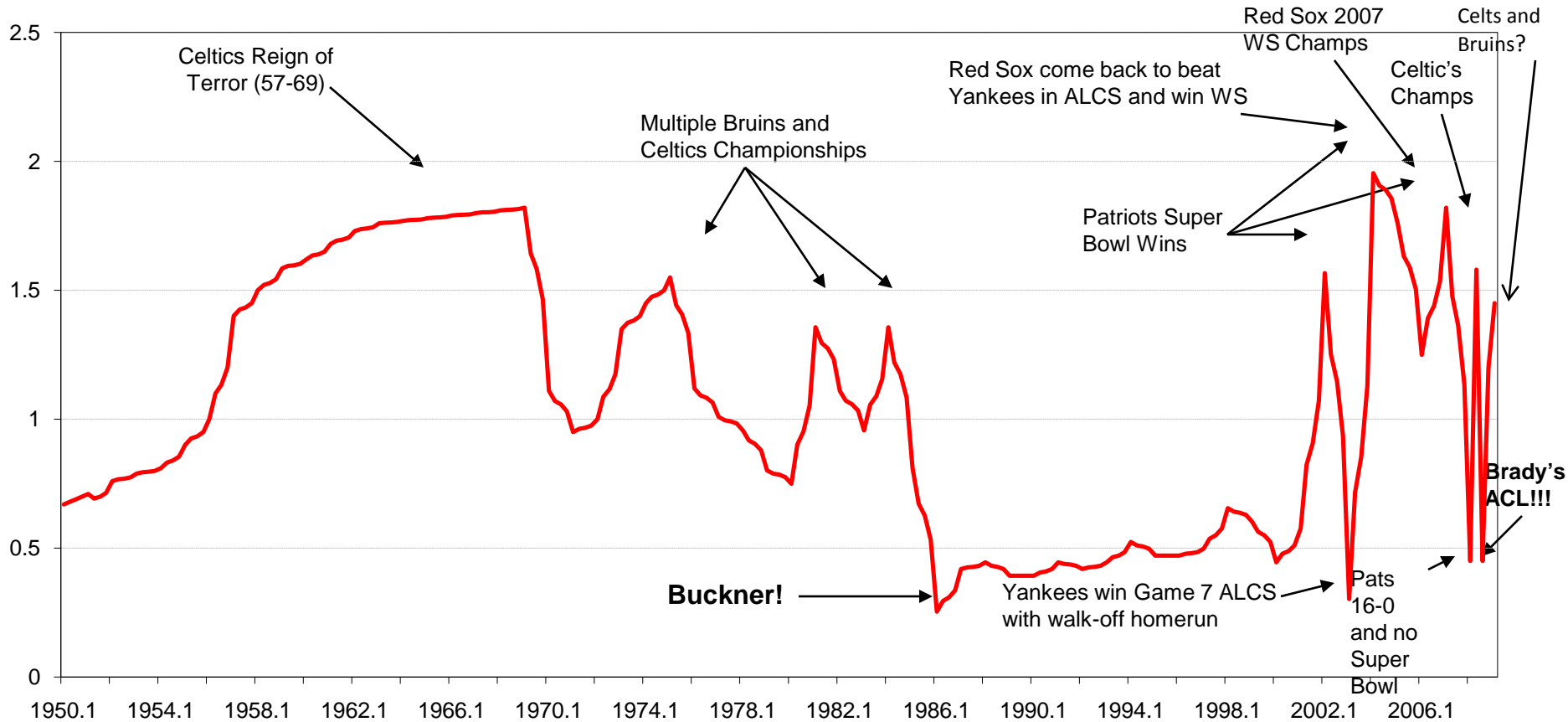
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New England has been through tough times before...

Boston Sports Index, as of 5/11/09

Index 1920=1 (Babe Ruth traded to the Yankees, the curse begins)



Notes:
Red Sox given favorable weights.



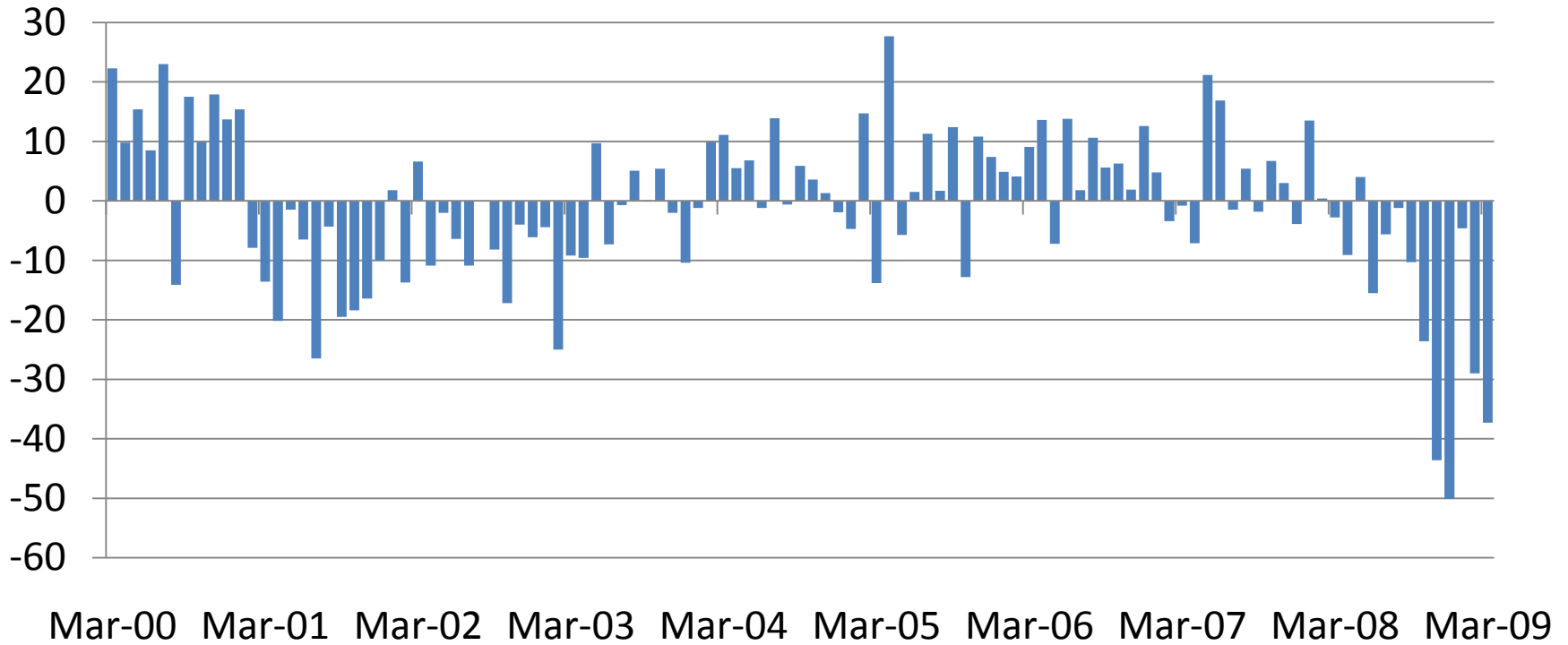
Painting an economic picture

- Employment
- Unemployment
- Personal Income
- State Revenues
- Economic Activity
- Housing

Employment is down

Monthly employment change in New England

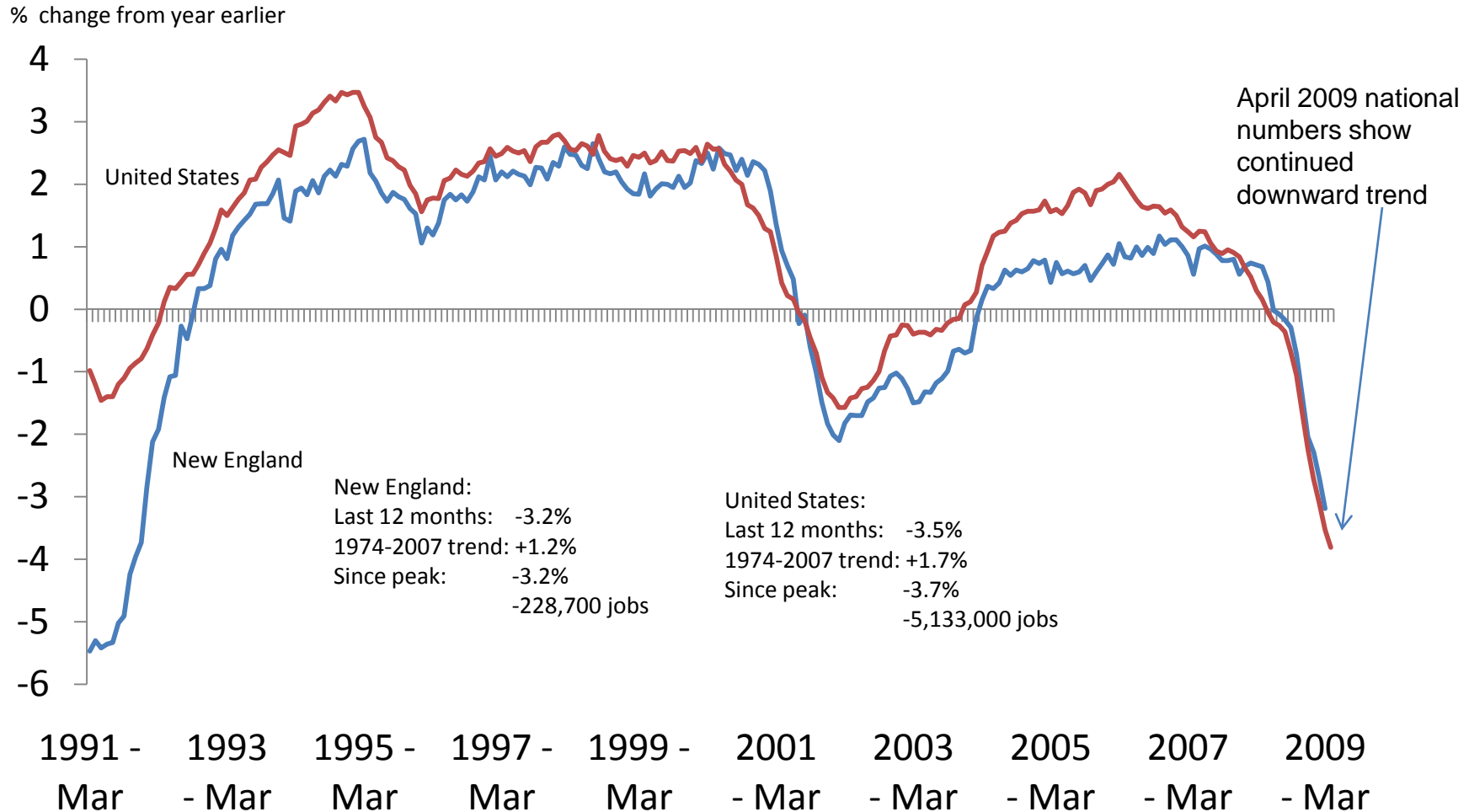
1,000s of jobs



Source: Bureau of Labor Statistics/Haver Analytics

Year-over-year job losses track national trends

Employment Growth in New England and United States

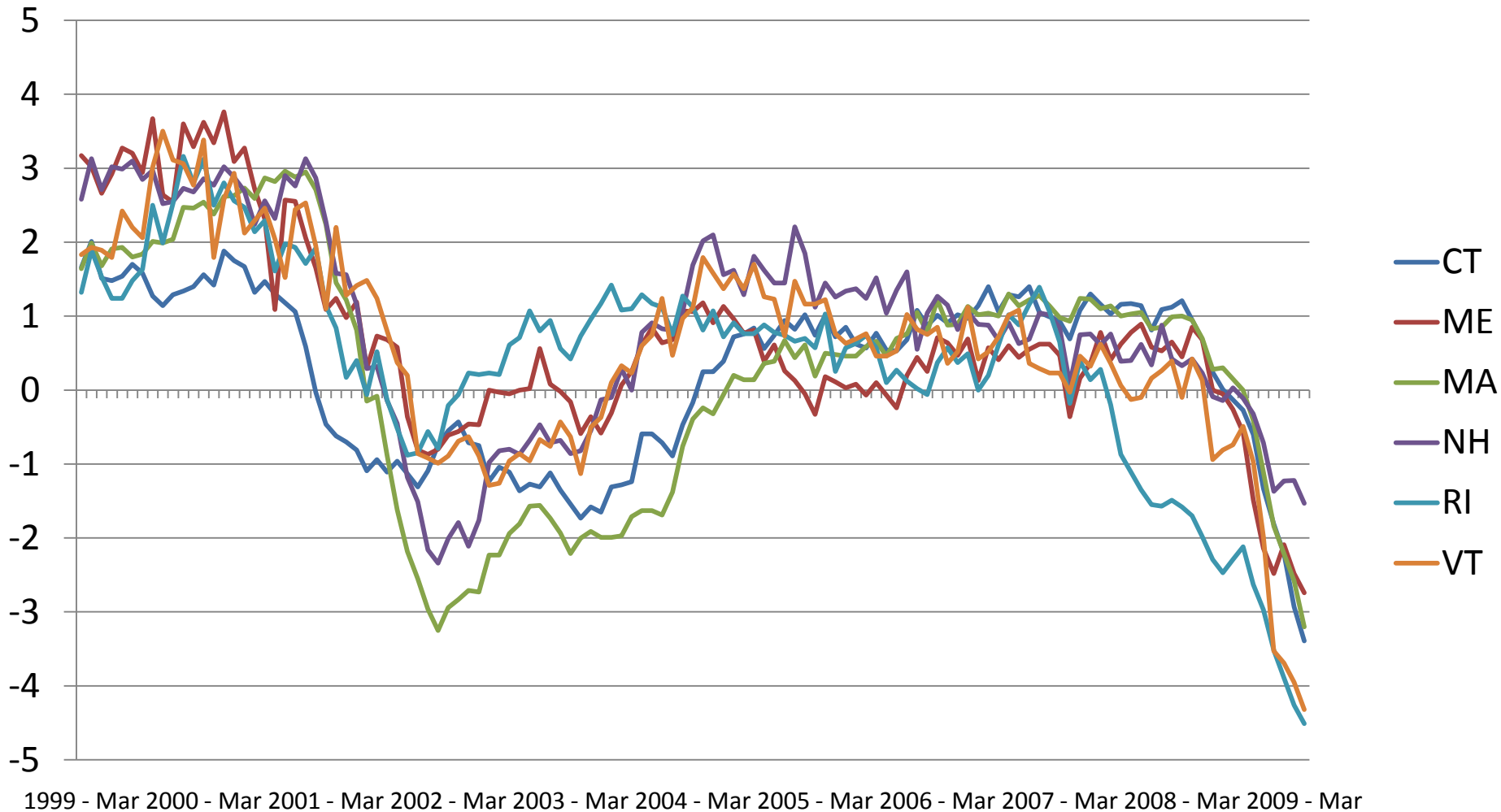


Source: Bureau of Labor Statistics/Haver Analytics

Note: Seasonally adjusted, total nonfarm payroll employment

Rhode Island and Vermont lead the region in job losses; New Hampshire is holding up best in the region

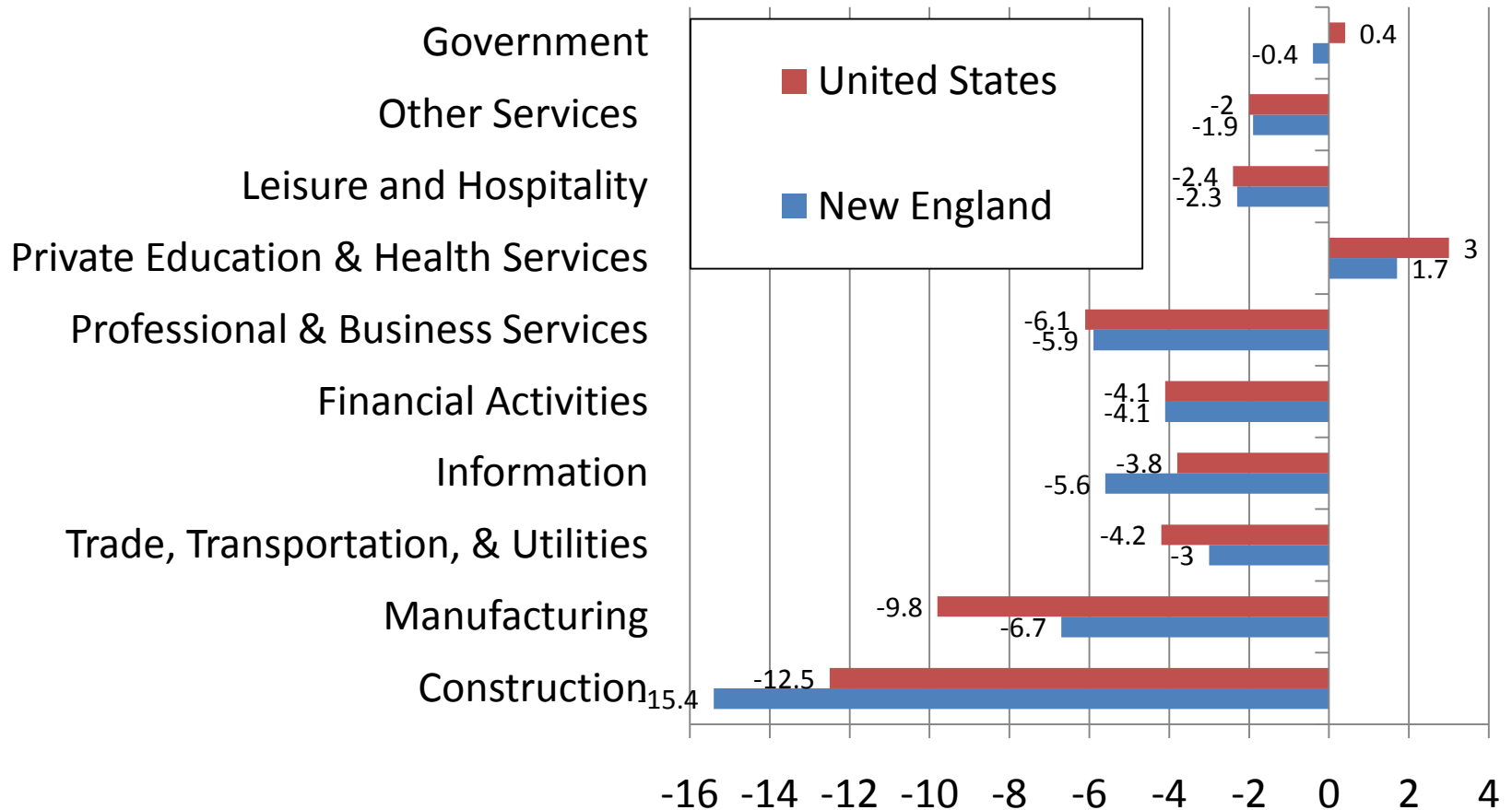
Year-over-year employment growth in the New England states



Source: Bureau of Labor Statistics

Only education and health services are adding jobs

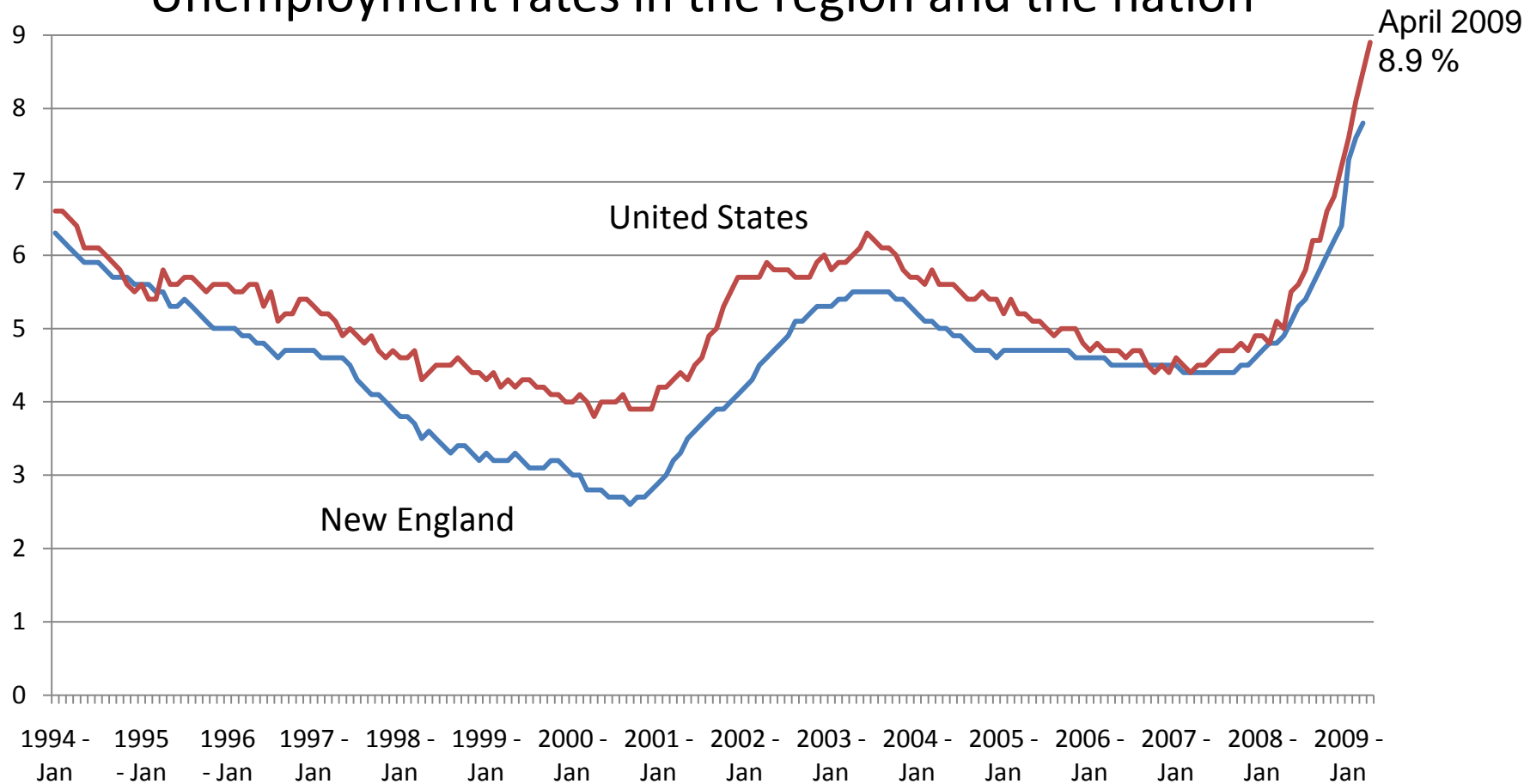
Employment growth by Supersector
Percent Change, March 2008 – March 2009 (Seasonally Adjusted)



Source: Bureau of Labor Statistics

With employment down, unemployment is rising

Unemployment rates in the region and the nation

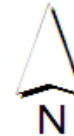
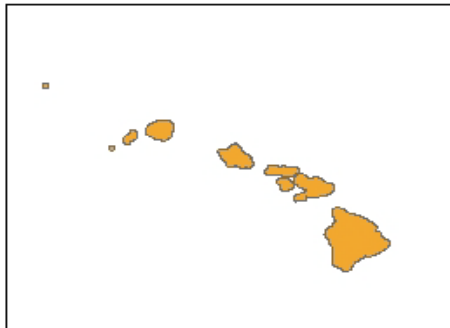
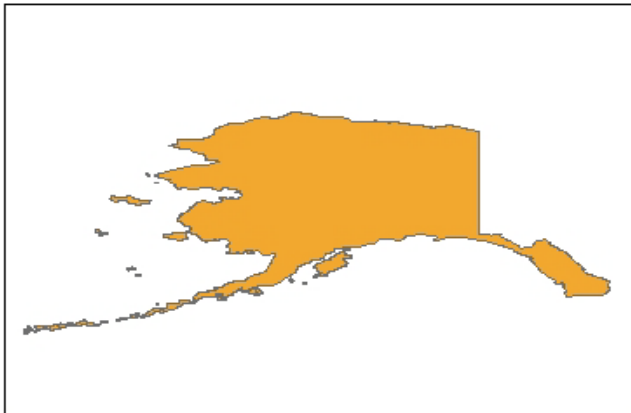
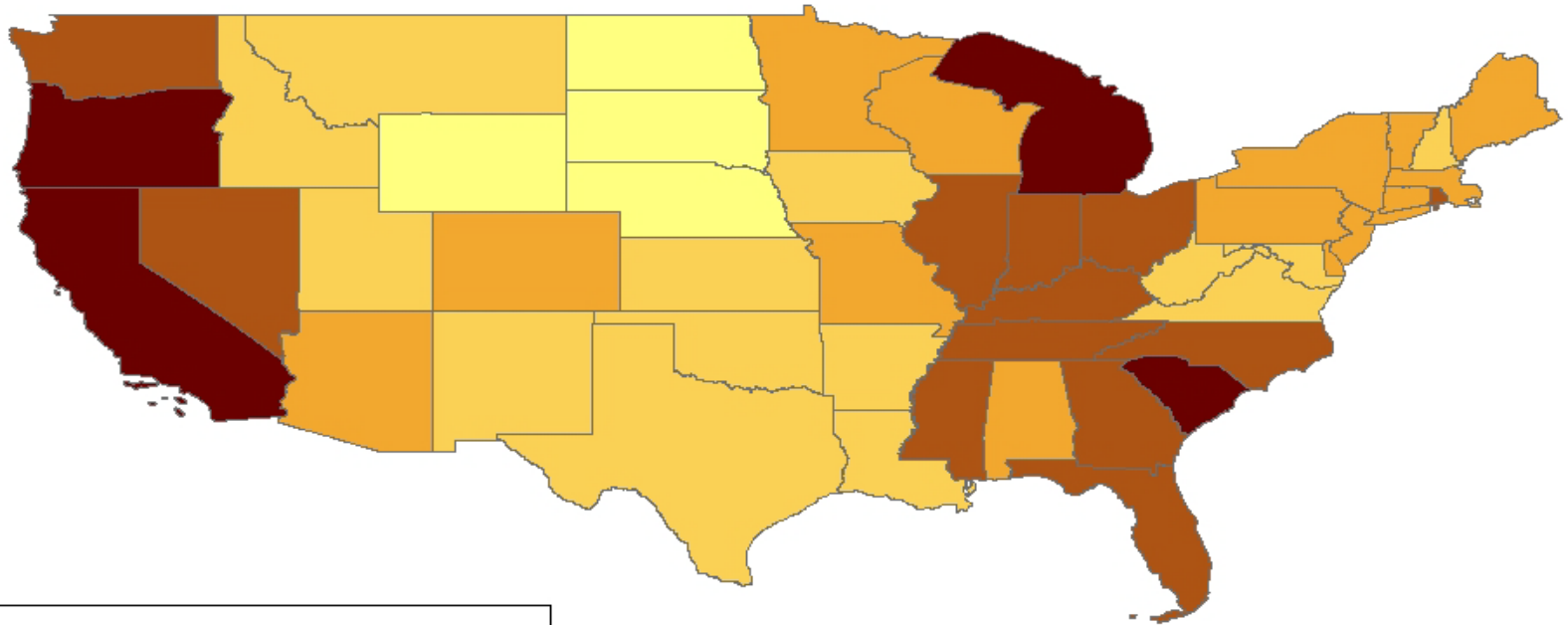


Source: Bureau of Labor Statistics/Haver Analytics

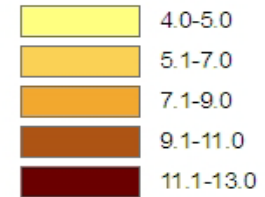
Note: Rate is seasonally adjusted

U.S. Unemployment by State

March, 2009



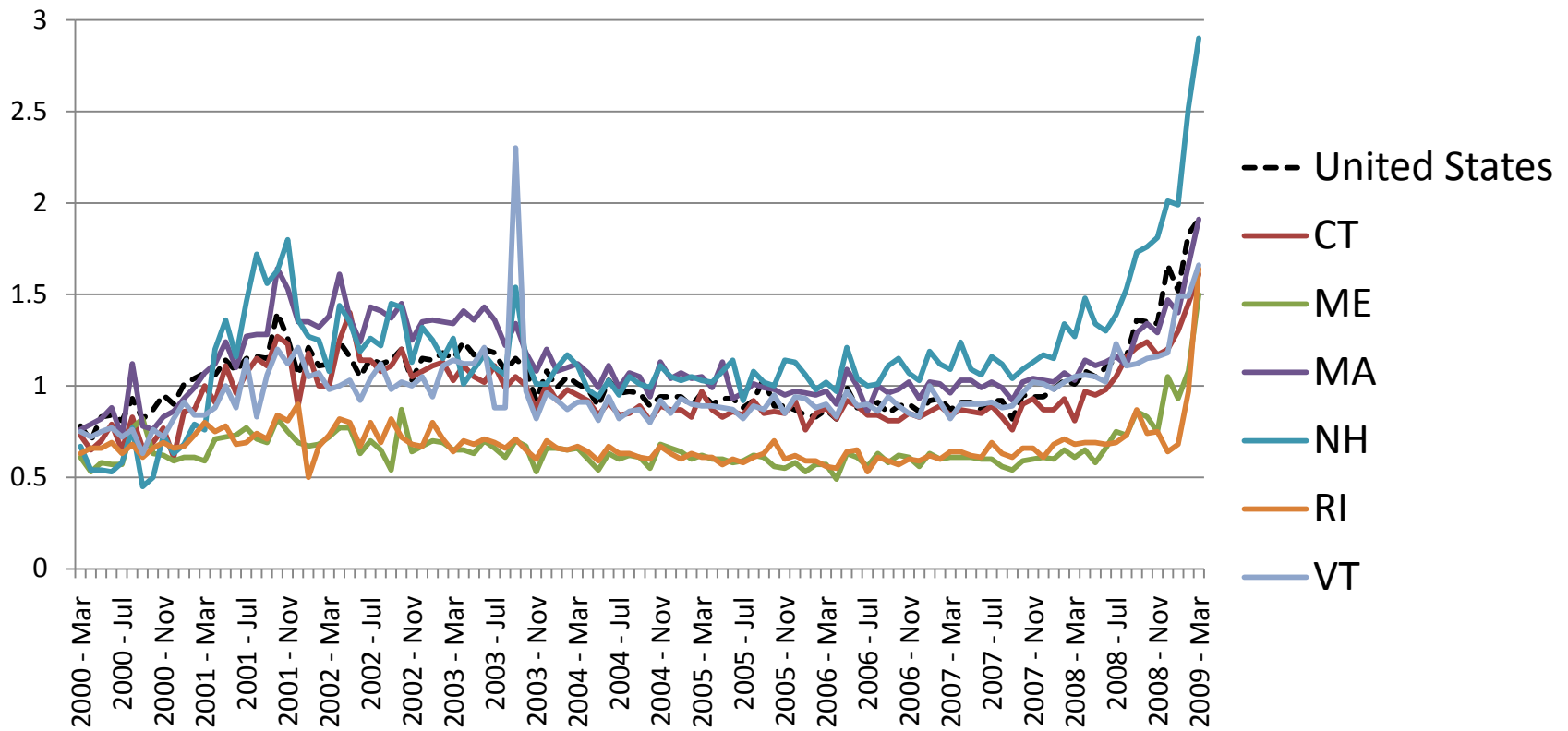
Unemployment by State



Source: U.S. Bureau of Labor Statistics

Initial claims for unemployment insurance have risen sharply

Initial claims for unemployment insurance
Index 1995=1



Source: Bureau of Labor Statistics

The not-so-governmental GUIDE TO THE UNEMPLOYMENT RATE

"Unemployment hovers in Ellipse Land for 16 Years" by Joni Jack-Rosen

The government issued a press release saying the unemployment rate has now reached:

7.2%

Just a little high.

Yes, but fear not! According to the Bureau of Labor and Statistics, even if you have lost your job, you may not be unemployed after all.

Let's find out.

YOU lost your job

have you looked for a job?

no

yes

did you find one?

no

yes

was it part time?

no

yes

do you give up looking?

no

yes

were you looking for full time?

no

yes

has it been a year since you gave up?

no

yes

Uh, you're still employed.

You are not employed, but you are not unemployed. Either way, you don't count.

Congratulations, you are officially unemployed.

can collect unemployment benefits?

You are neither employed nor unemployed. In fact you are not even in the labor market so you don't count either.

As long as you are eligible, you can collect unemployment benefits if you are unemployed or not unemployed unless you are employed or underemployed. Understand?

You see the government's 7.2% unemployment rate does not count many millions of Americans who could not find a job or could not get full time employment. This is called the U-5 rate, or the official rate.

near historic?

Because it looks nice, the government also tracks the seldom reported U-6 rate. This includes all the discouraged and underemployed workers. The U-6 unemployment rate represents real world conditions and is currently:

13.5%

double wonder! That's really high, but it's not like it's the Great Depression or anything.

Well, if the current unemployment rate were calculated like it was 90 years ago it would be:

17.5%

Spice up! That's history, but still shows the Great Depression unemployment rate was 25% that's how bad it was.

That's true, but unemployment didn't reach 25% until four years after the market crashed, in 1930, the year after the crisis, the unemployment rate was 8.5%. That's about half of what it is today.

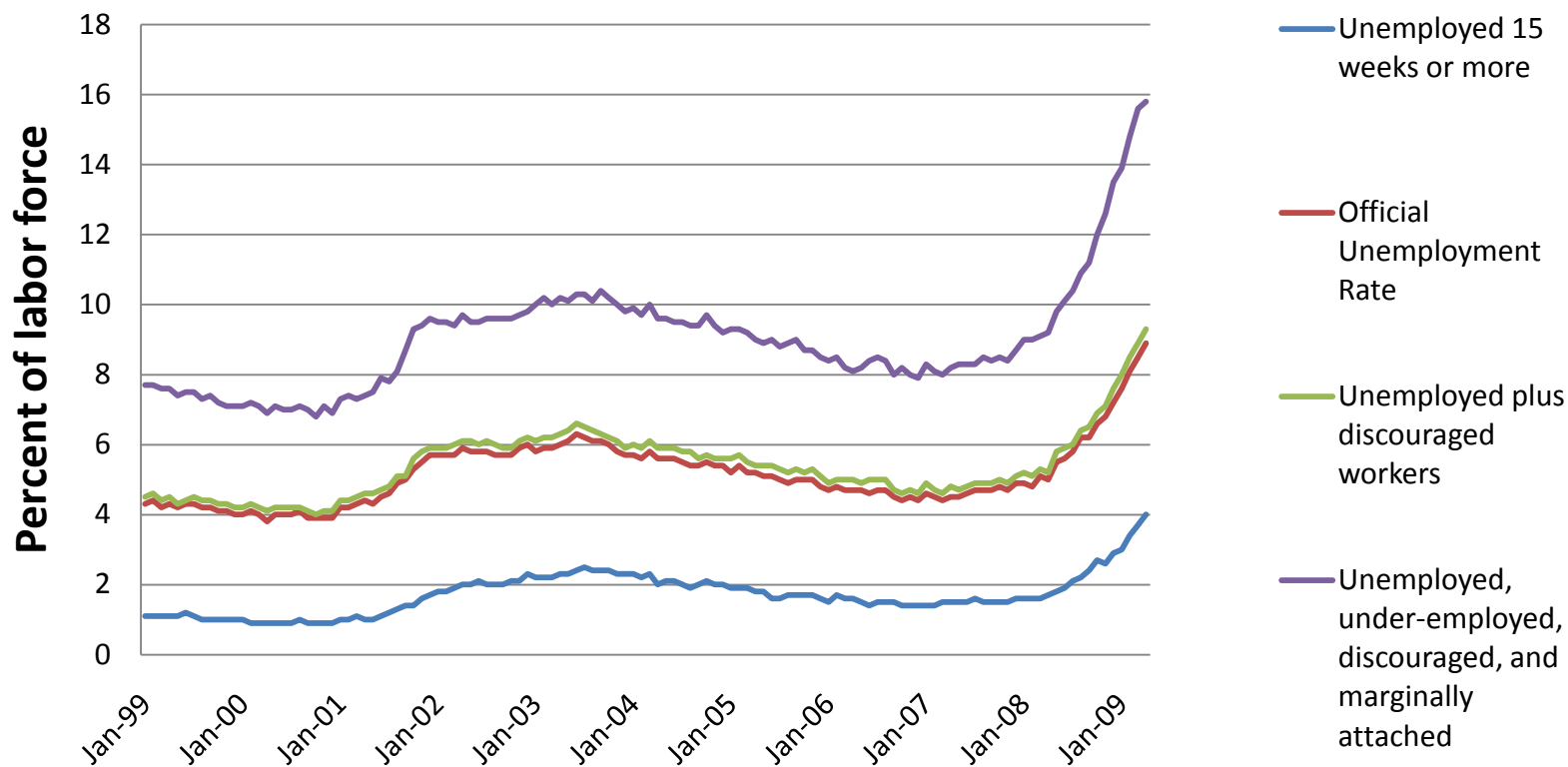
Good! One that means:

You're going to need a lot more zolinks.

Keep most every worker's zolinks.

And then there are folks who are not counted in these numbers...

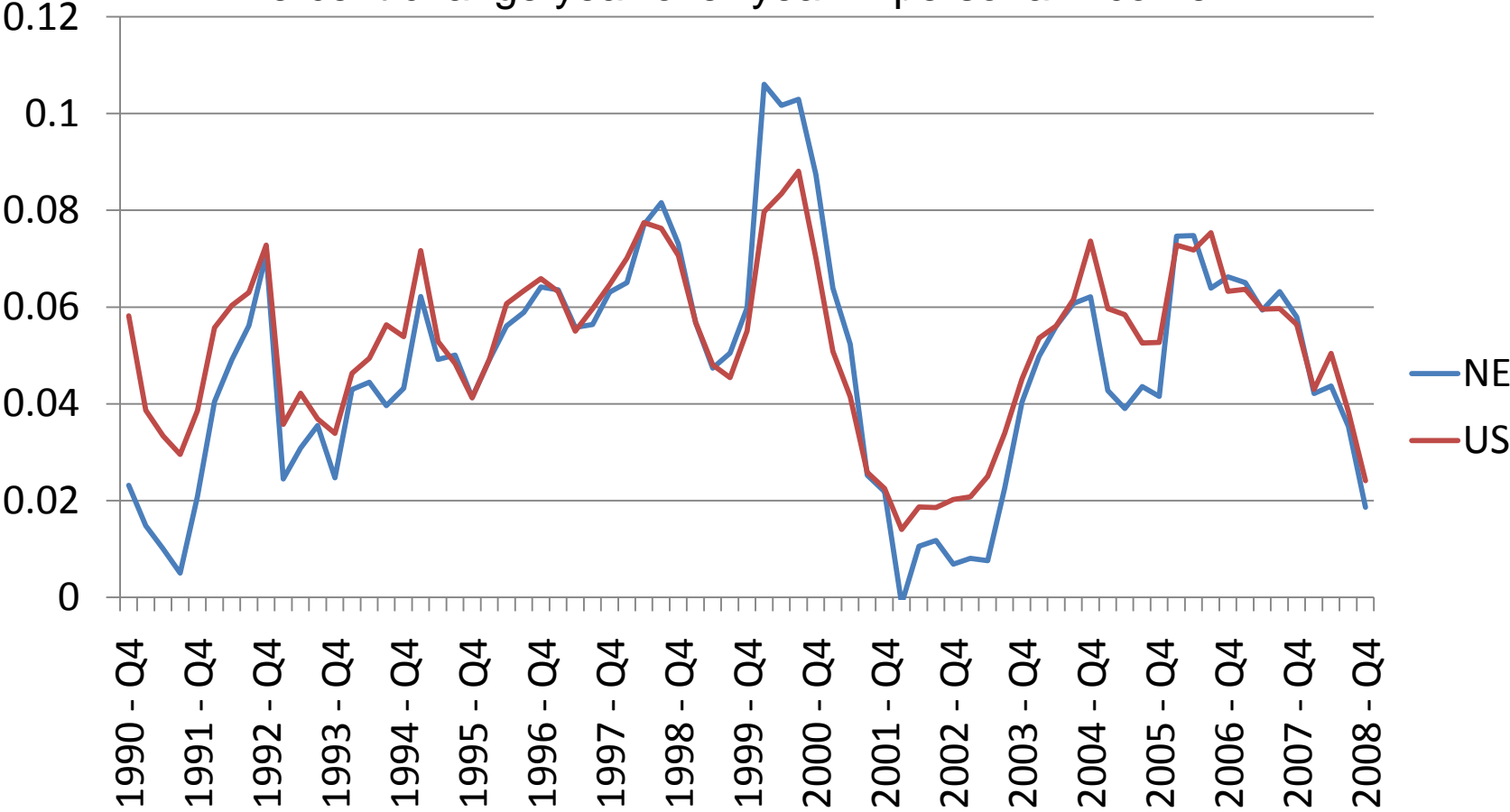
Alternative measures of unemployment



Source: Bureau of Labor Statistics
Graphic from www.mint.org

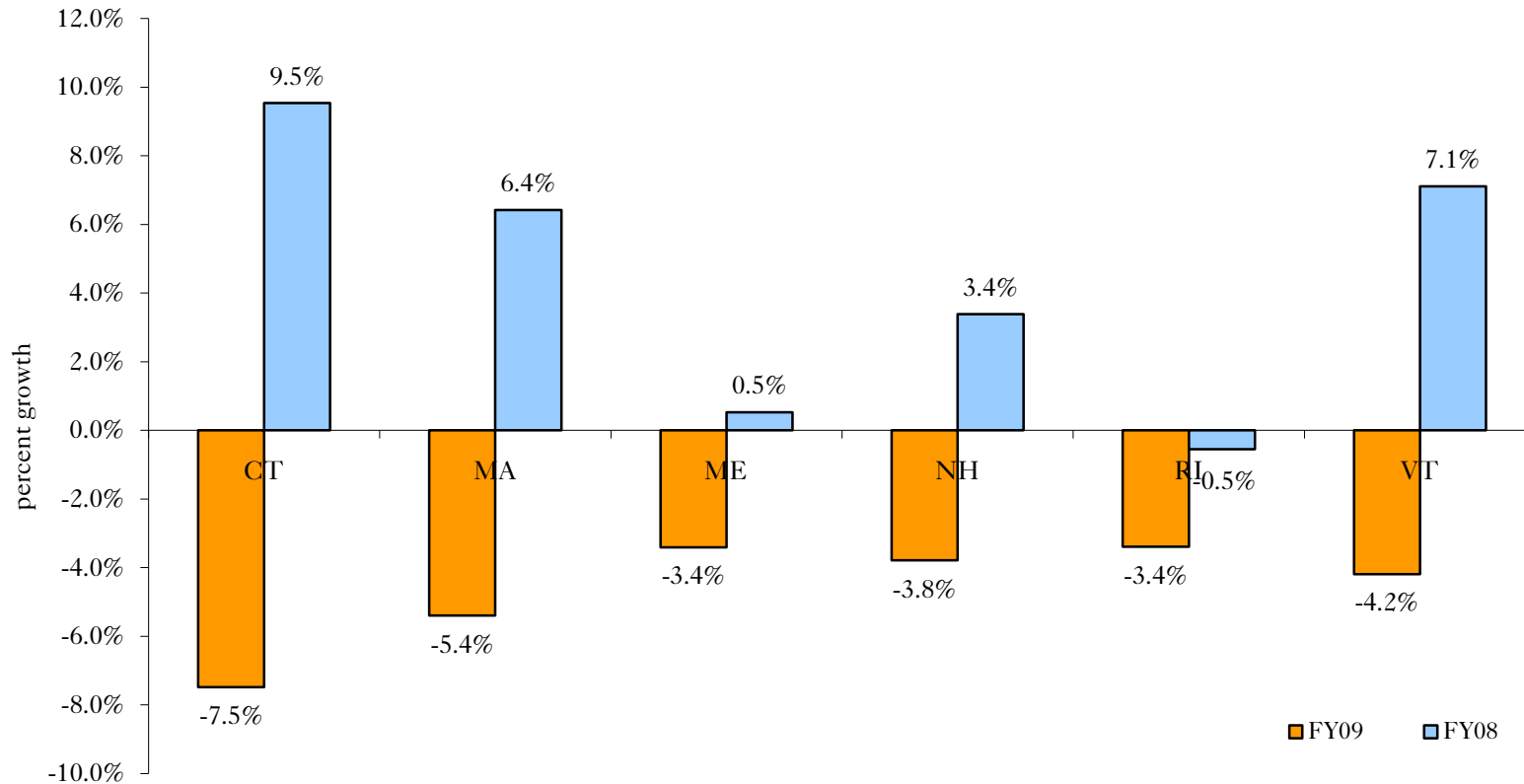
Personal income growth is slowing the New England states

Percent change year-over-year in personal income



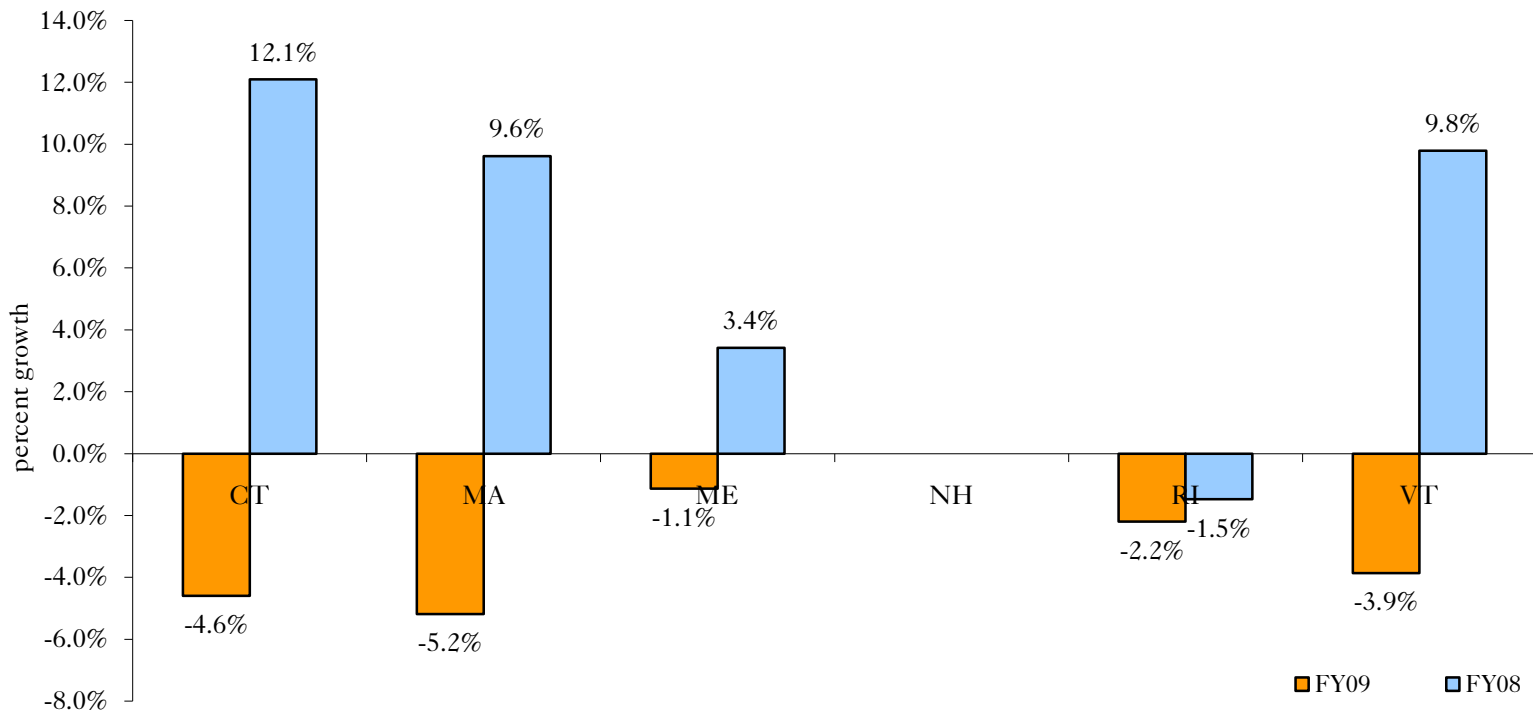
Revenue collections are down in all New England states

Year-over-year growth in total revenue collections, through February FY09 and FY08



Personal income revenues have fallen

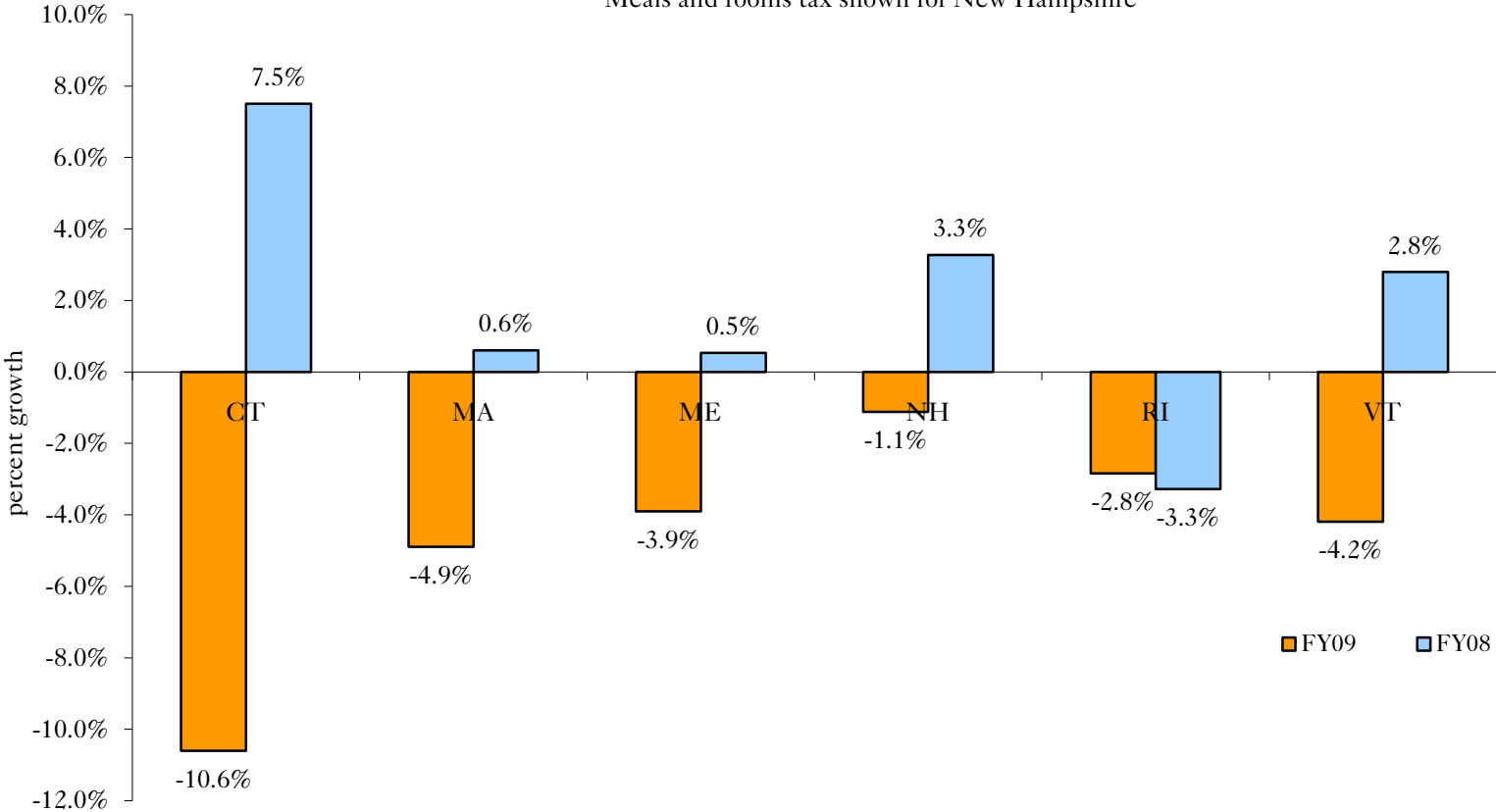
Year-over-year growth in personal income tax collections, through February FY09 and FY08



As have sales...

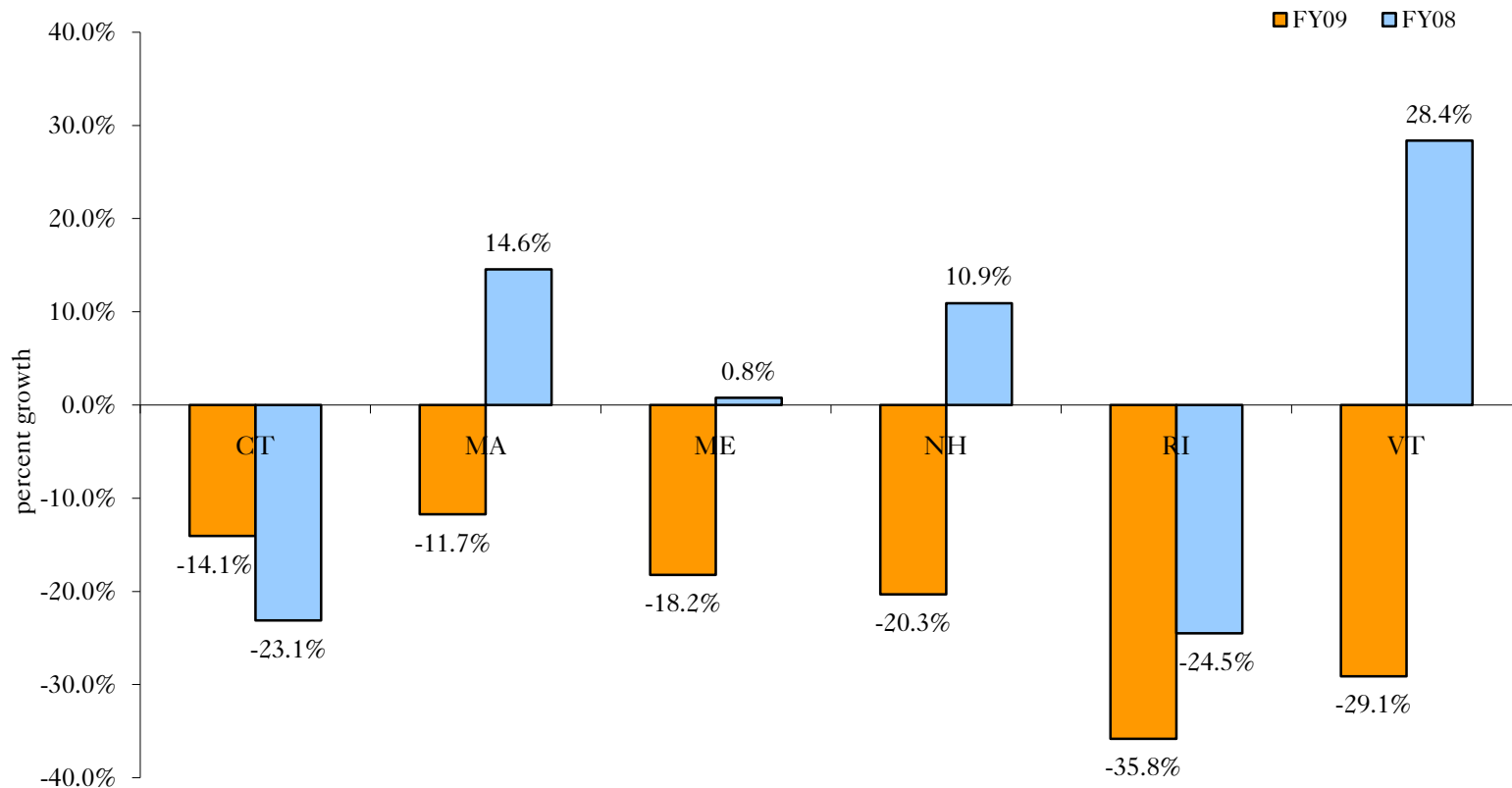
Year-over-year growth in sales tax collections, through February FY09 and FY08

Meals and rooms tax shown for New Hampshire



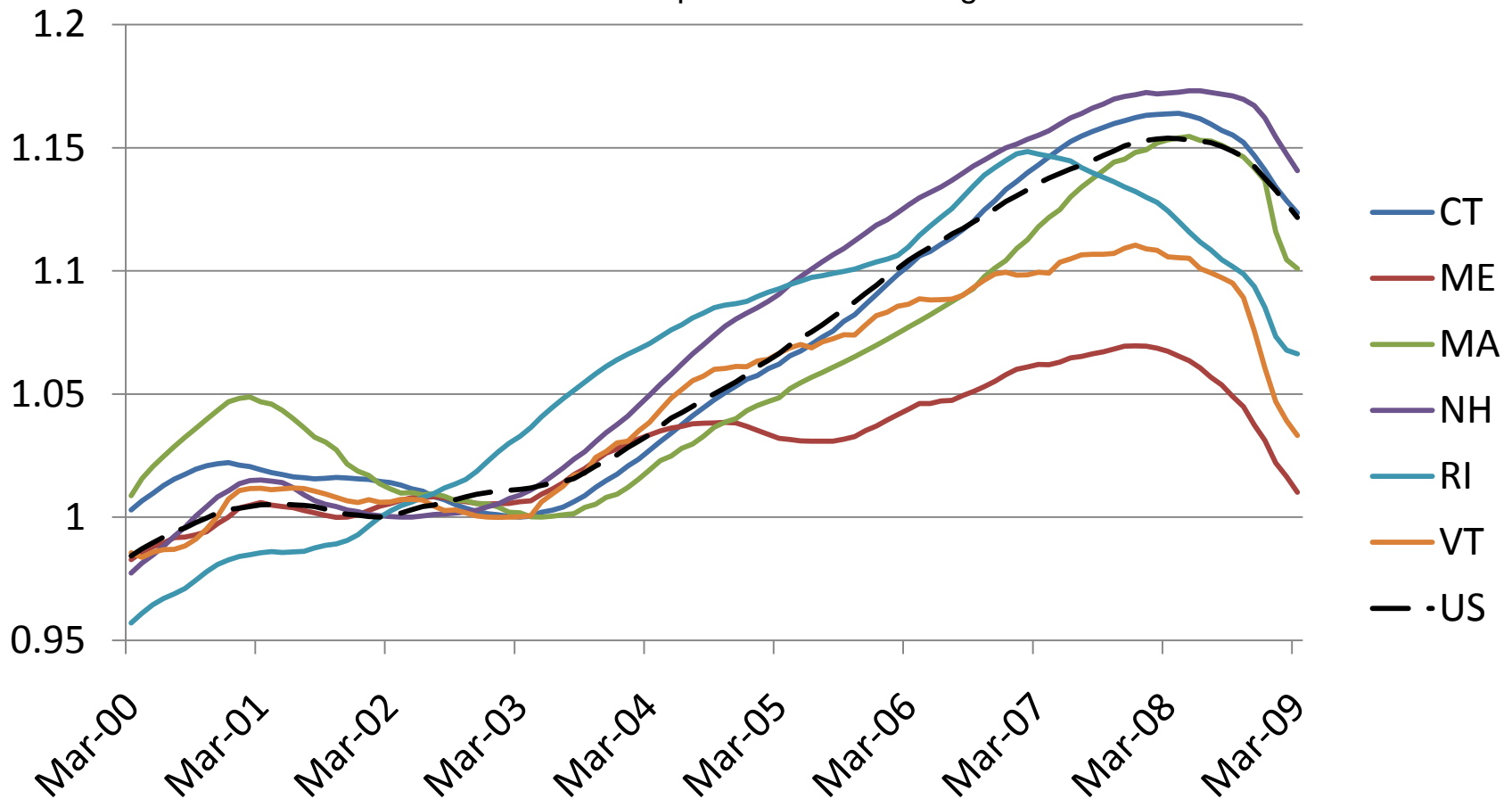
... and corporate tax collections.

Year-over-year growth in corporate tax collections, through February FY09 and FY08



Economic activity has slowed sharply in all New England states

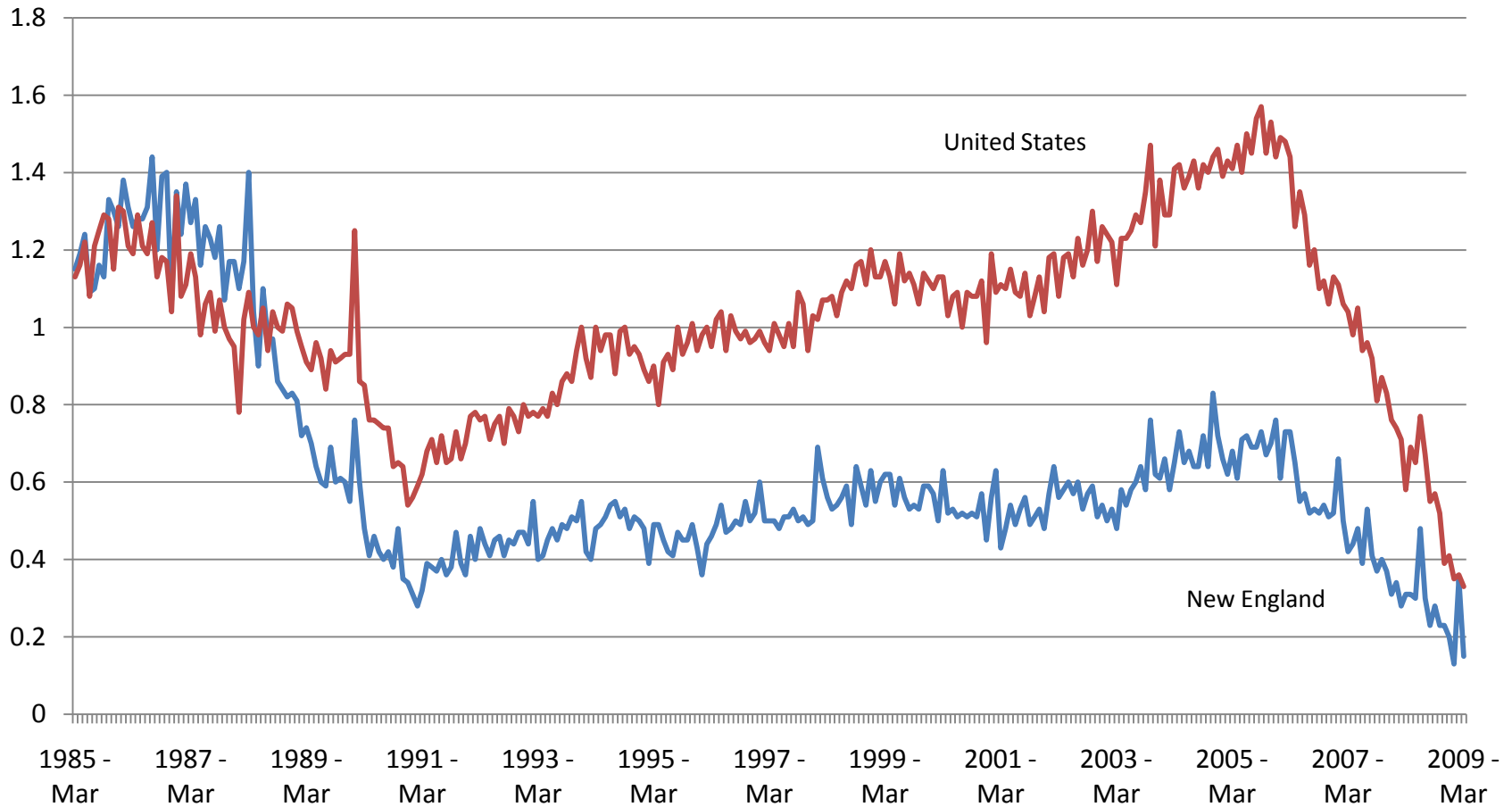
Coincident Indexes
Each state's post-recession trough=1



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

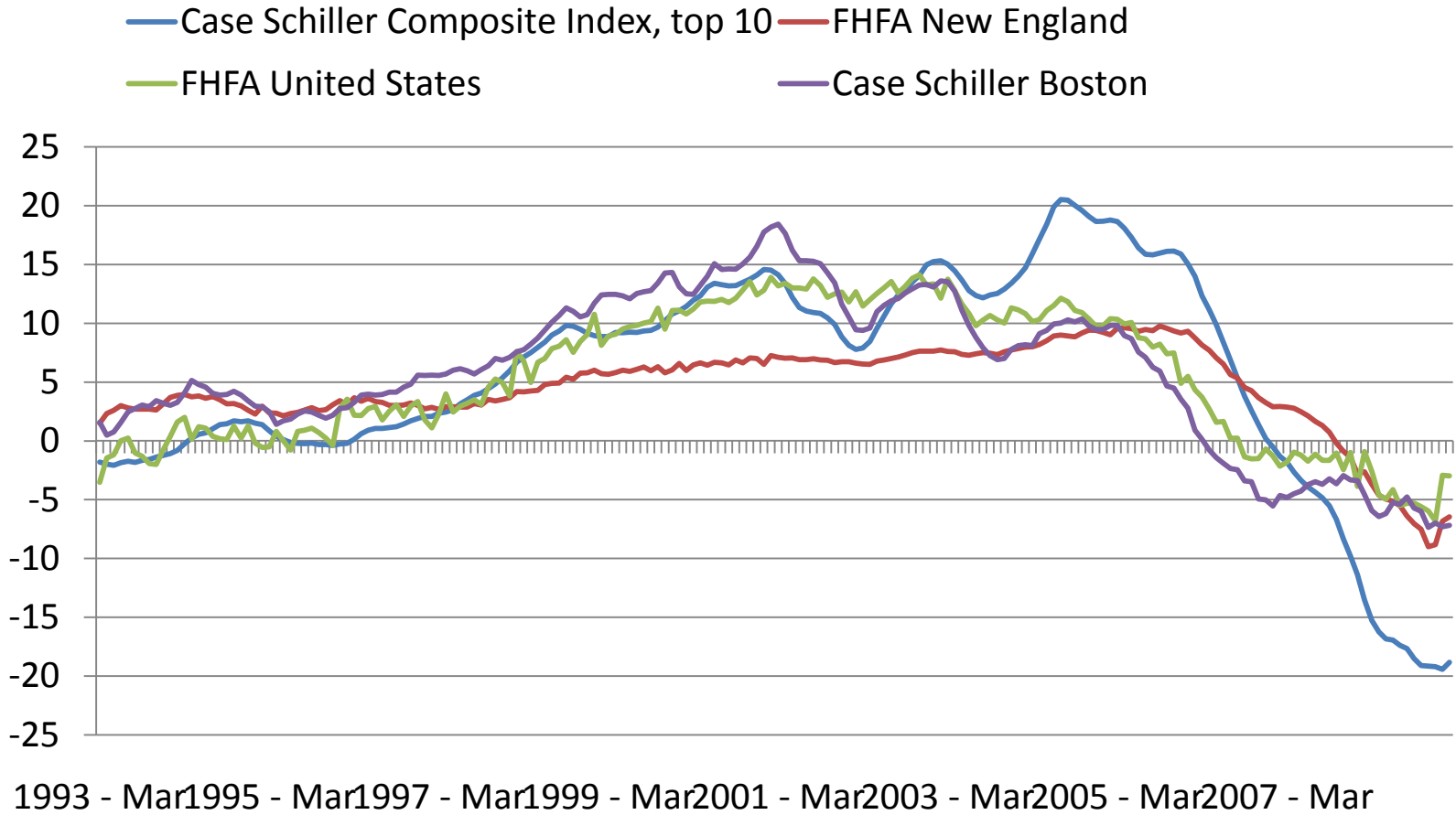
Construction has slowed

Single Family housing permits, seasonally adjusted
Index 1988=1



Source: Bureau of the Census/Haver Analytics

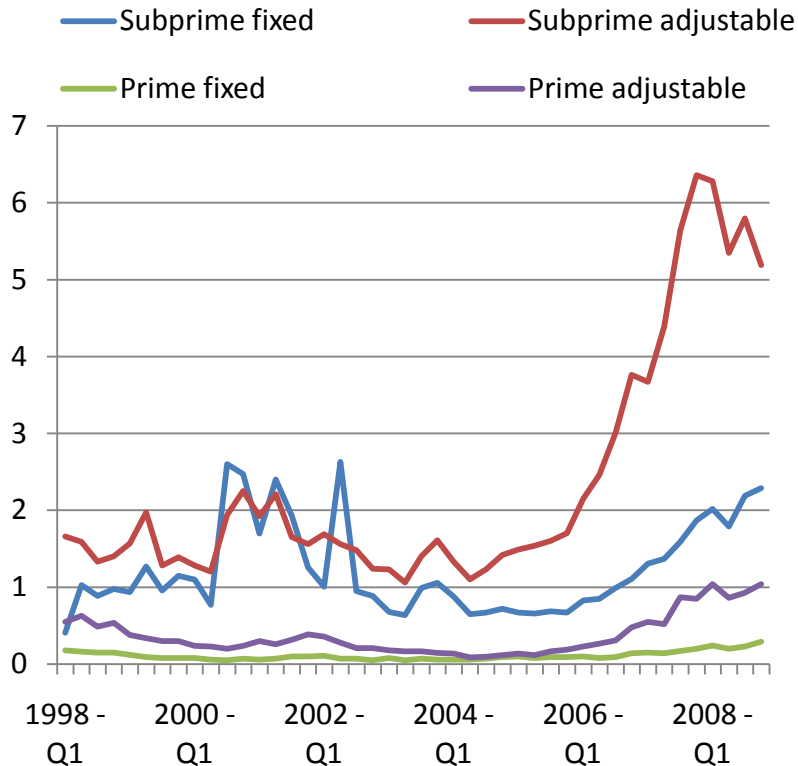
Home prices continue to decline



Foreclosure rates are lower in New England than in the nation

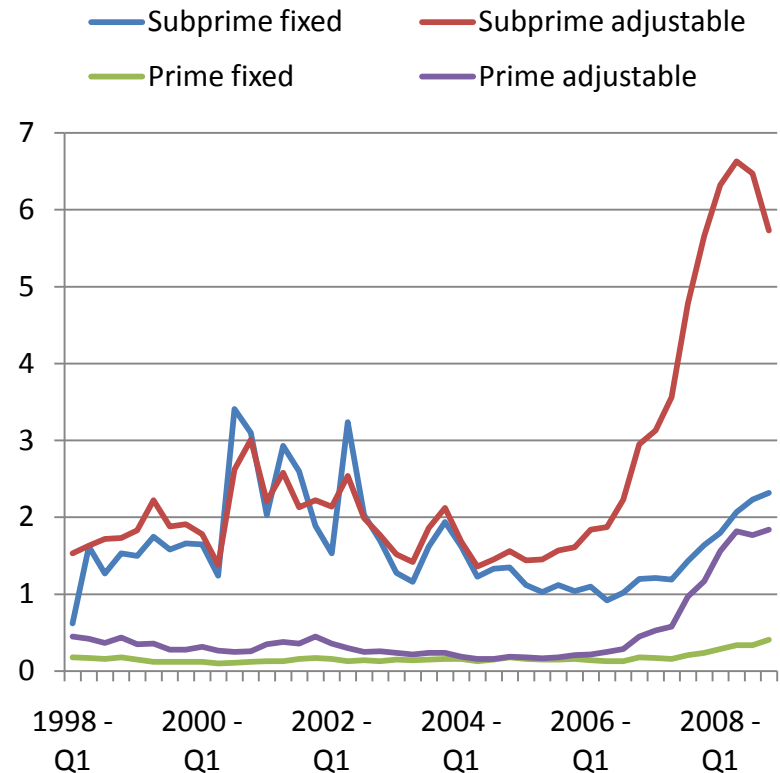
New England

Percent of loans with foreclosure initiation in quarter



United States

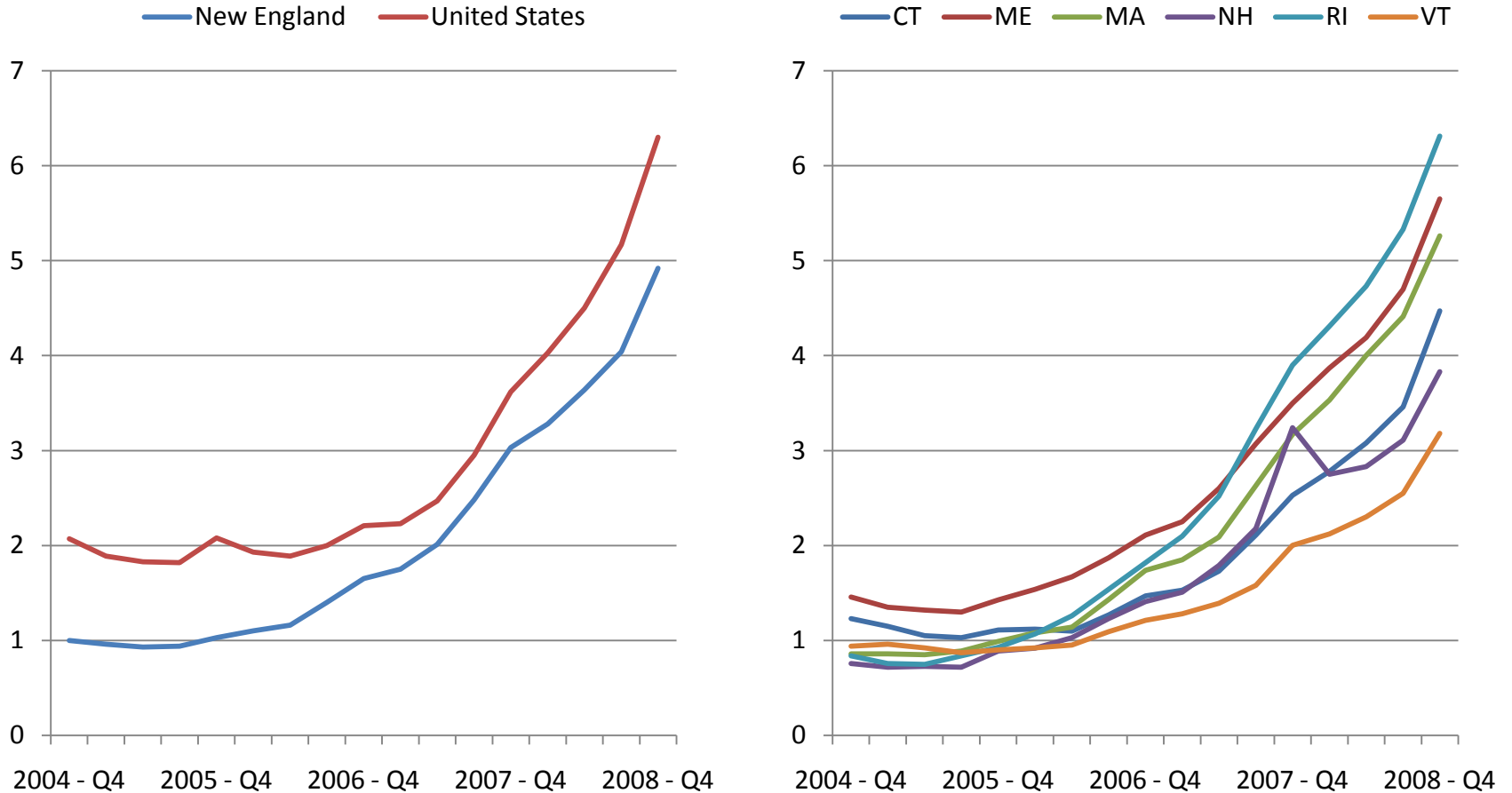
Percent of loans with foreclosure initiation in quarter



Source: Mortgage Bankers' Association/Haver Analytics

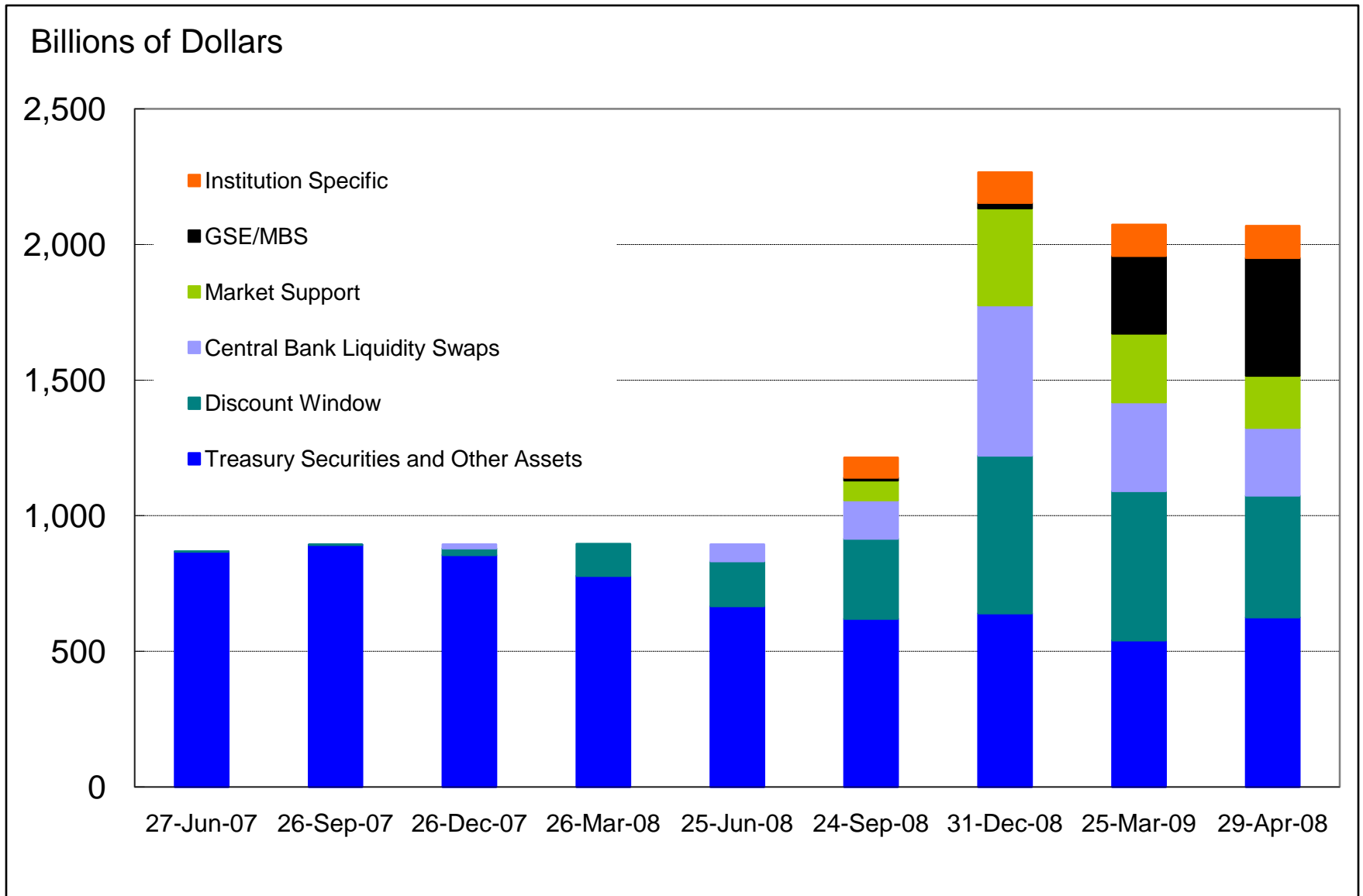
The stock of foreclosed homes continues to increase

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



Source: Mortgage Bankers' Association/Haver Analytics

Change in Composition of Federal Reserve Assets



Source: Federal Reserve Statistical Release H.4.1

Questions?