

New England and U.S. Economic Update

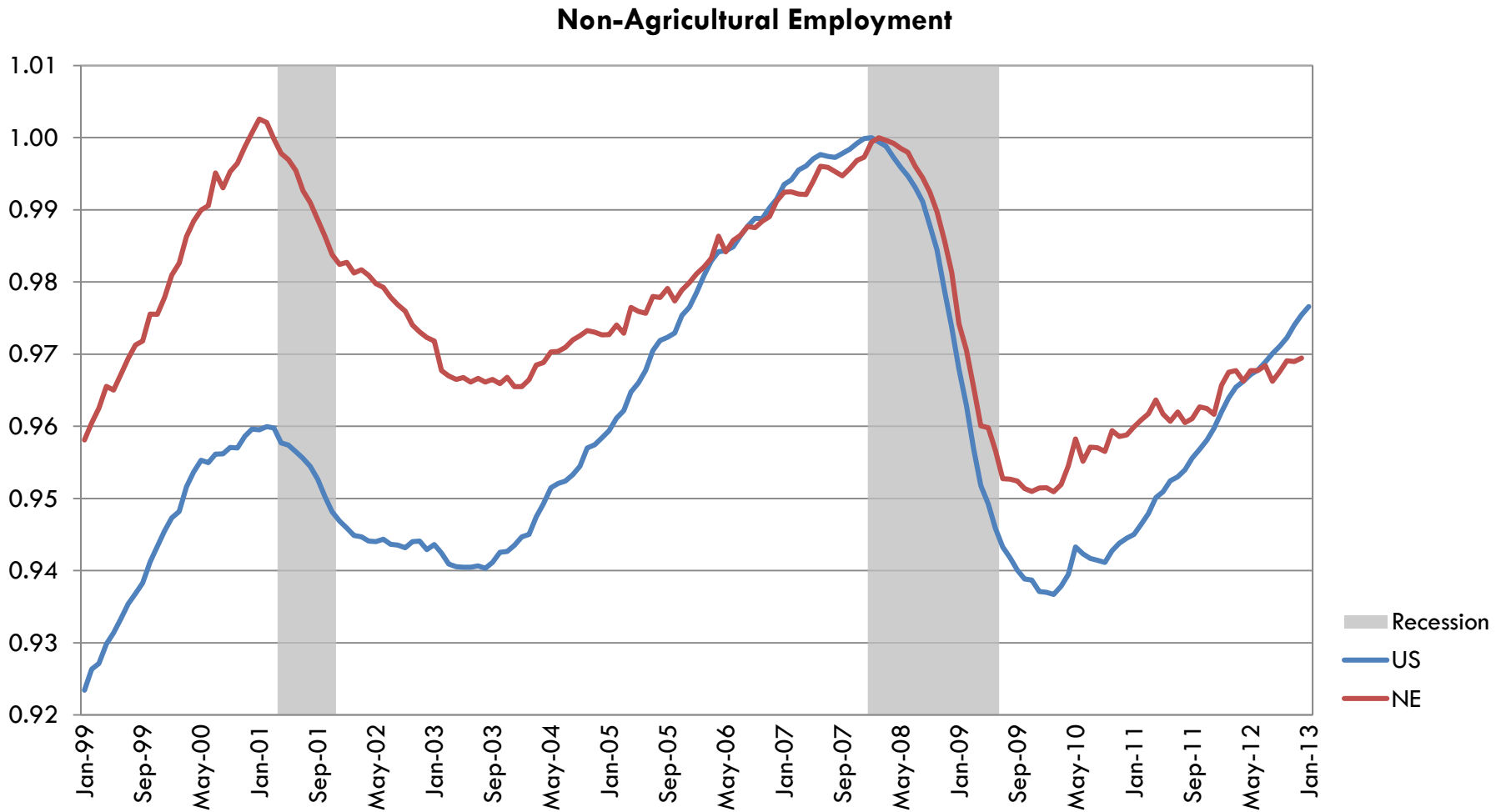
Presented to the New England Fiscal Leaders Meeting
February 22, 2013

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Overview

- New England and U.S. economies continue to recover at a moderate pace.
- New England's job recovery is relatively slow and lags behind the nation.
- The uncertainty about federal fiscal policy and falling European economies pose a risk to economic recovery.
- The New England economy is expected to expand moderately in next several years.

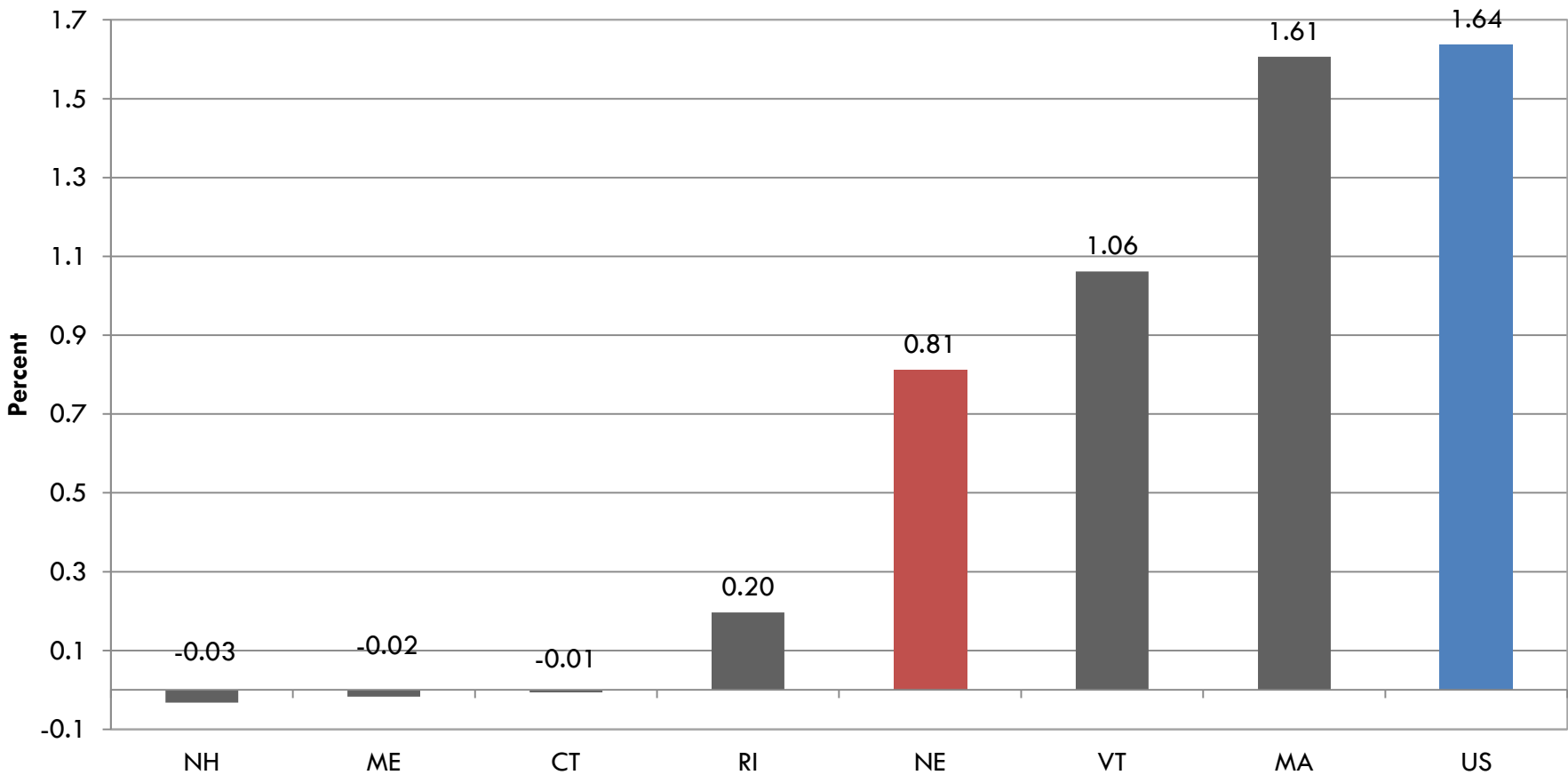
NE continues to recover jobs, but lags behind the nation.



Note: Data Indexed to pre-recession peaks
Source: Bureau of Labor Statistics, NBER, Haver Analytics

Job recovery is uneven across the region.

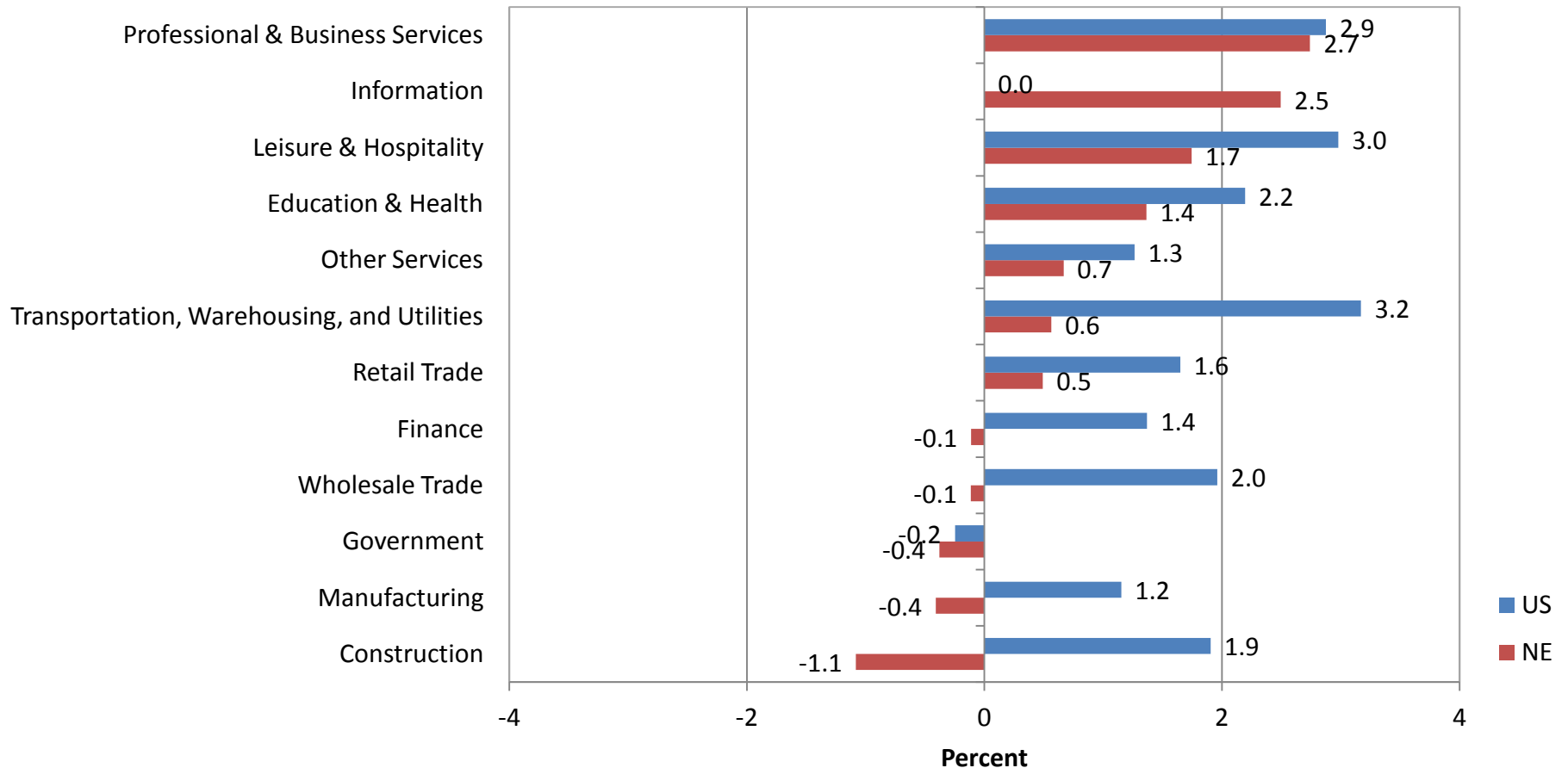
**Nonagricultural Employment
Percent Change, December 2011-December 2012**



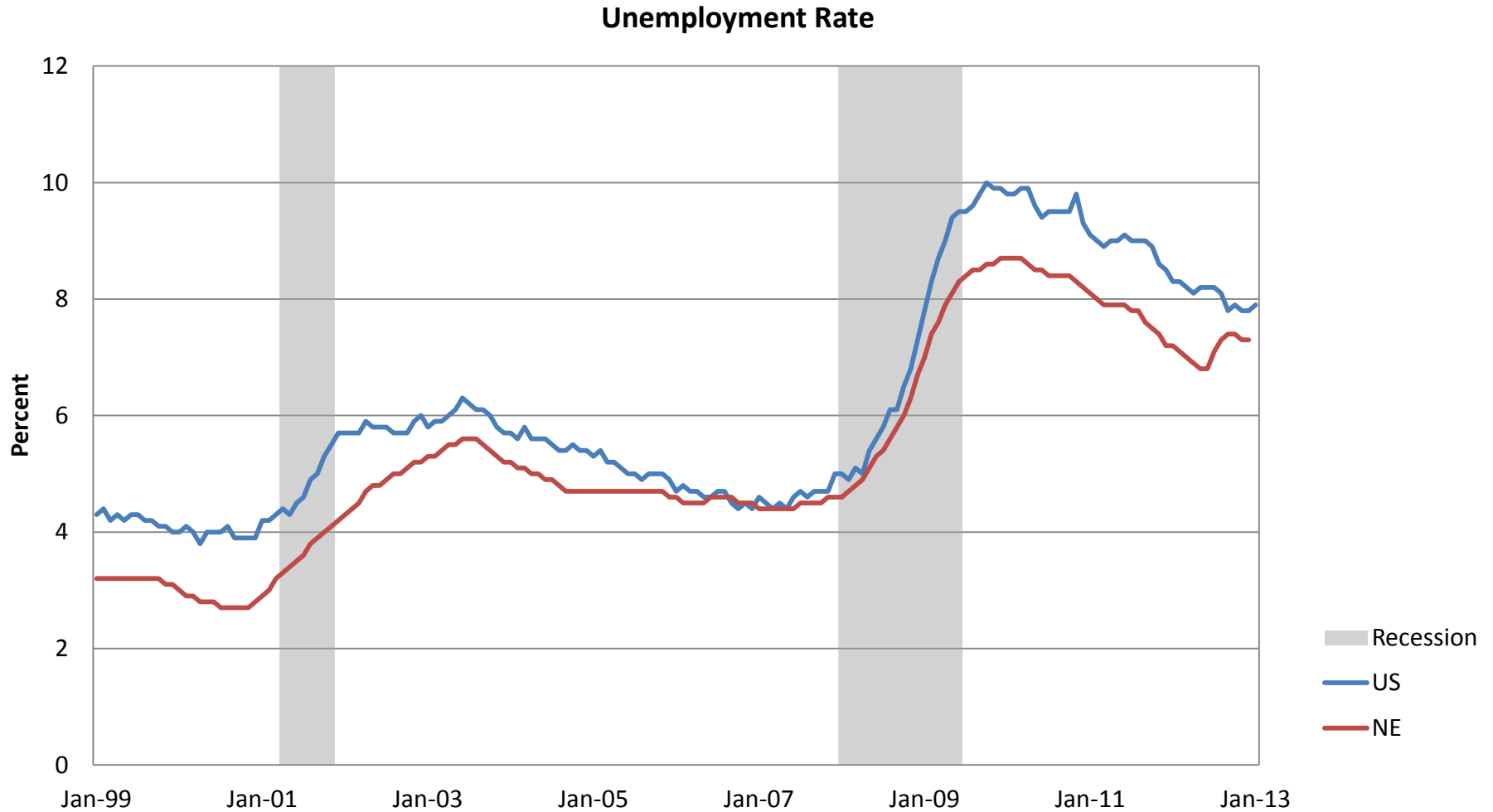
Source: Bureau of Labor Statistics, NBER, Haver Analytics

Employment Growth by Industry

Percent Change, December 2011 - December 2012

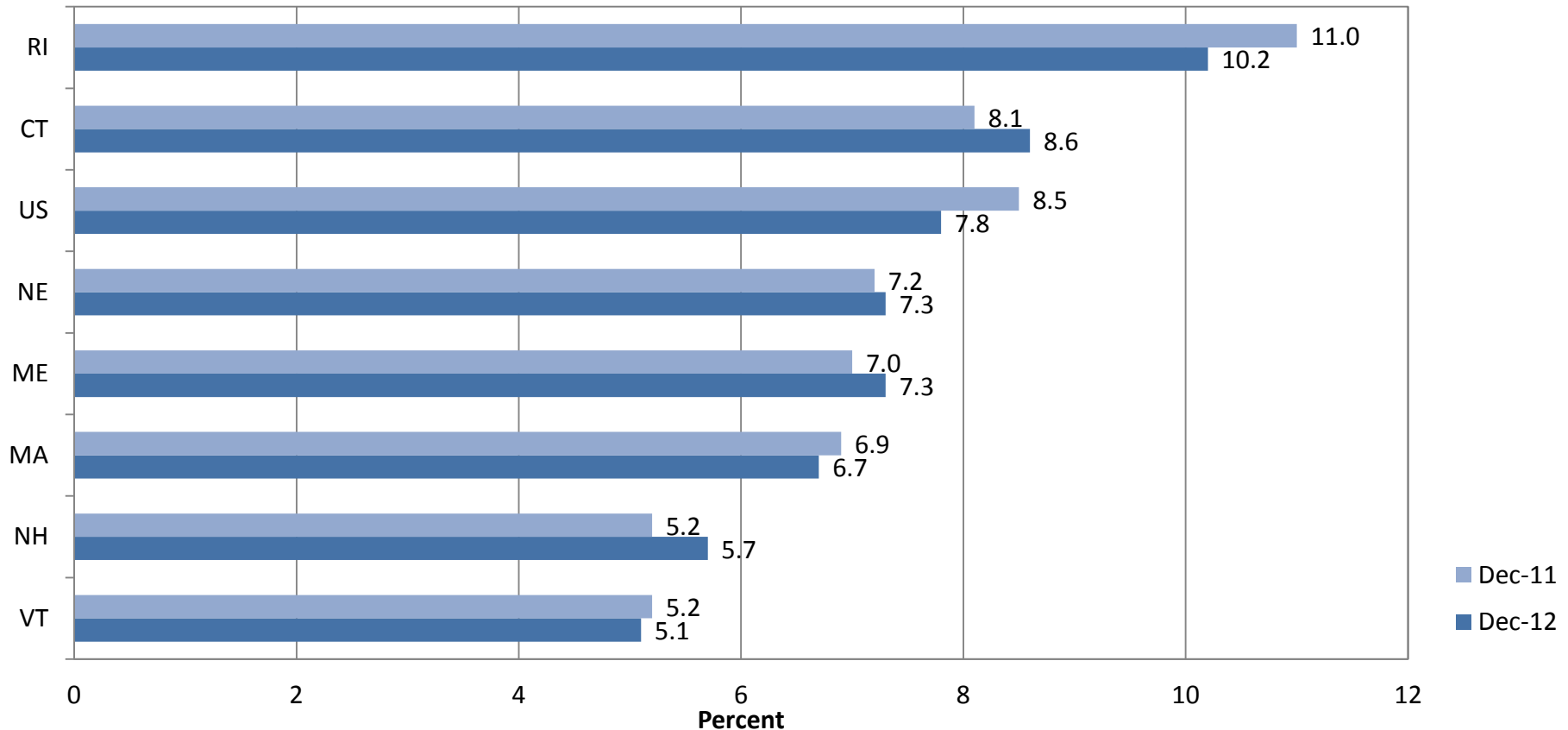


Unemployment has increased recently in NE, but remains below the national rate.



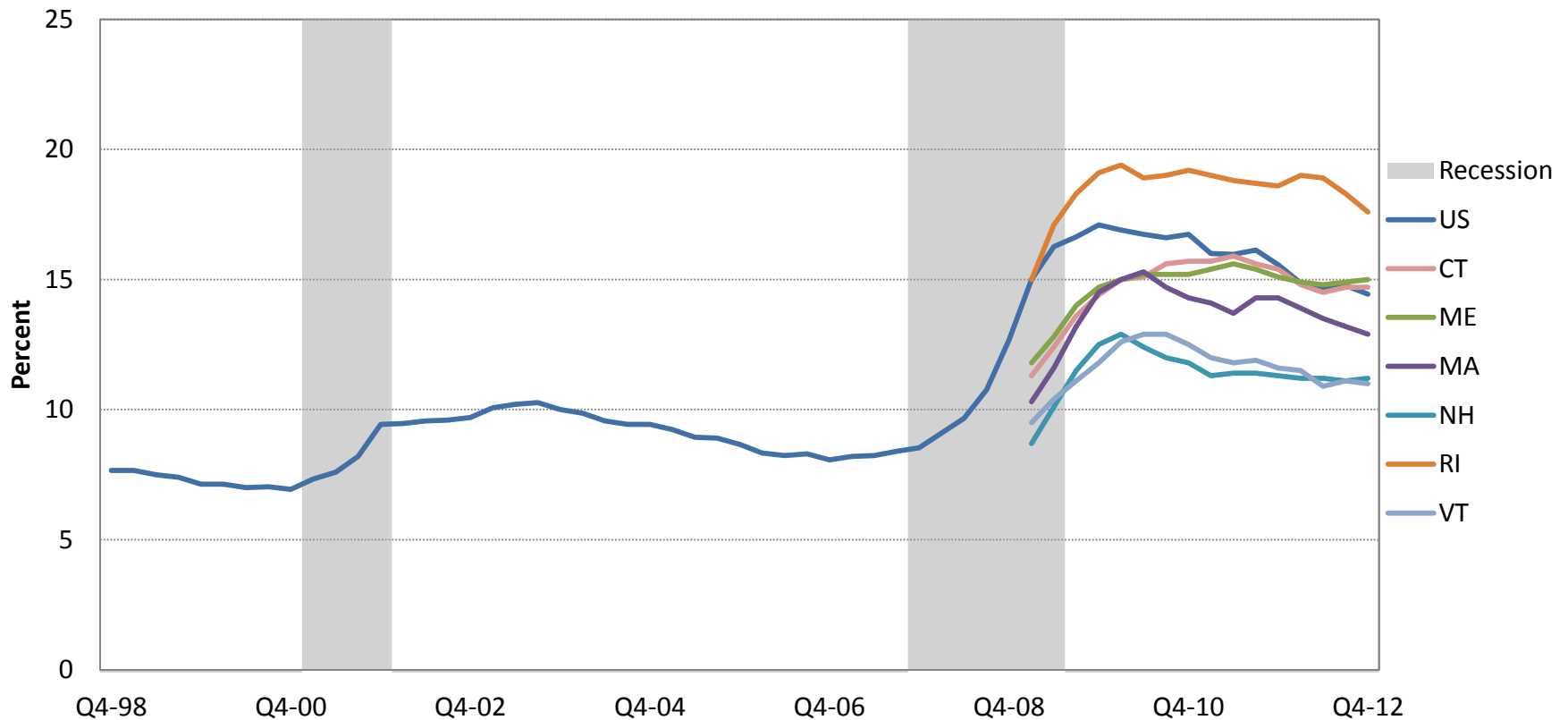
Unemployment rates vary greatly across the region.

Unemployment Rate
December 2011 vs. December 2012



U-6 Rates reveal greater labor underutilization.

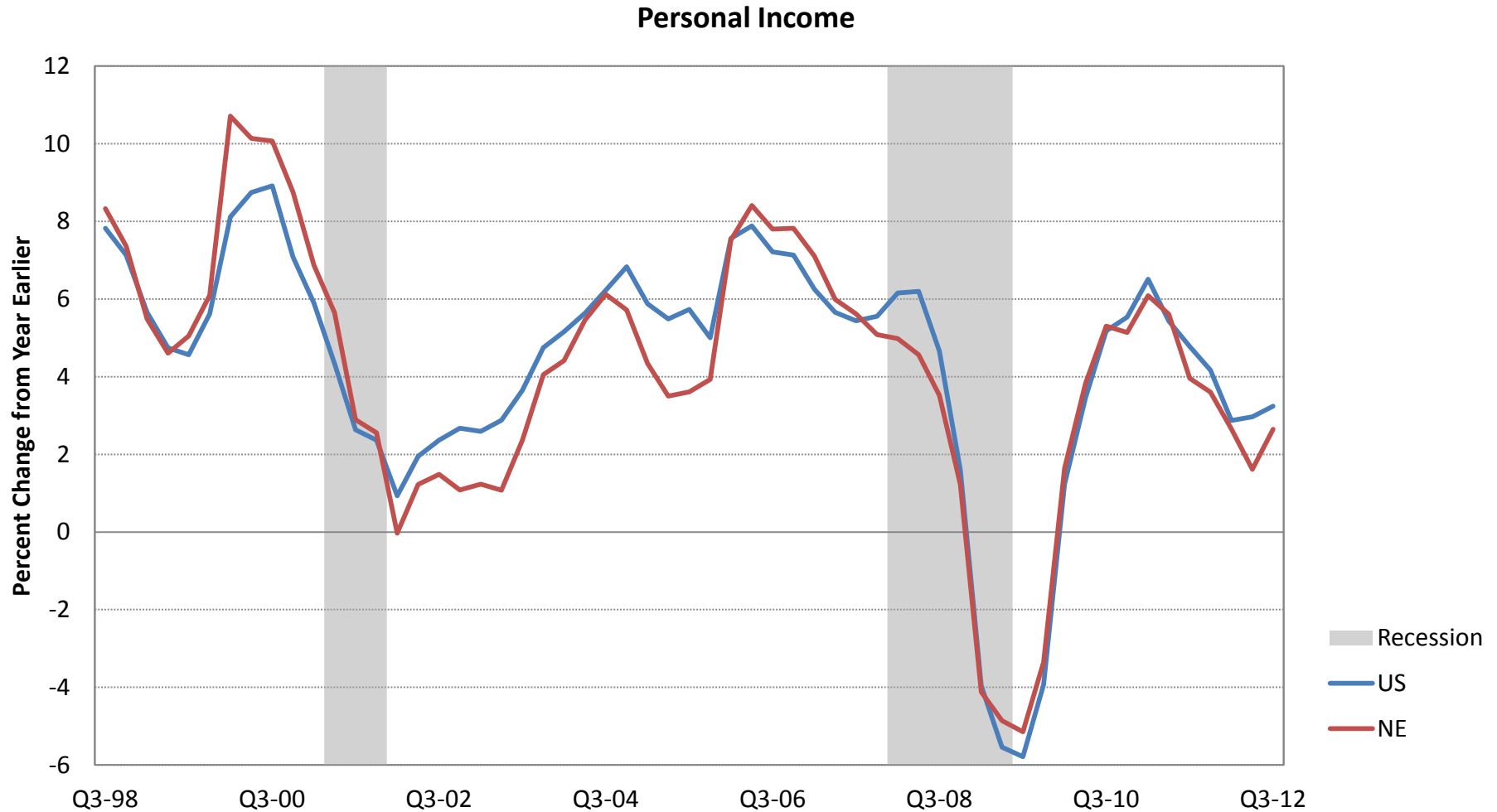
U-6 Rate



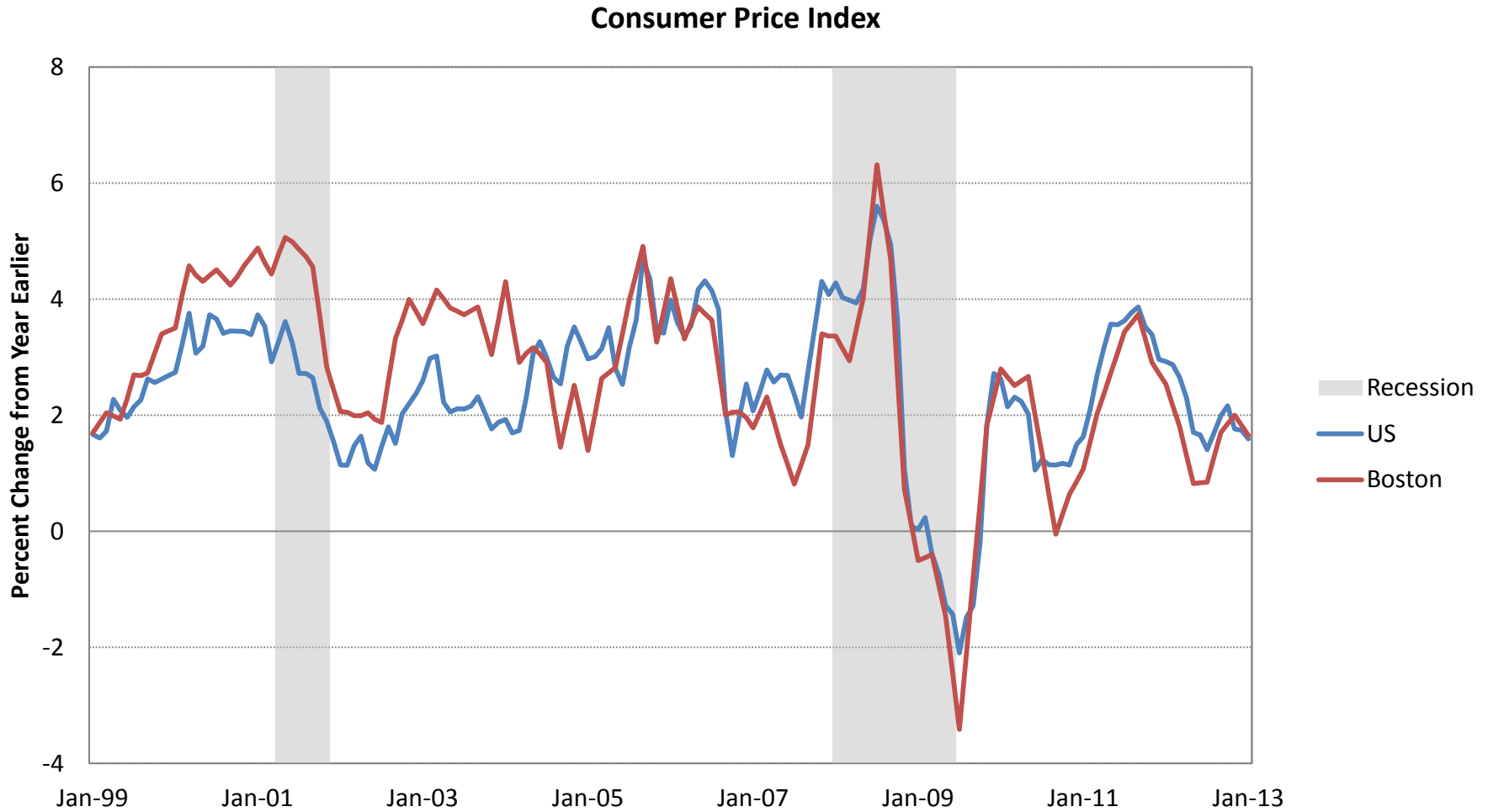
Note: U-6 includes total unemployed, plus all marginally attached workers, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all marginally attached workers.

Source: NBER, Haver Analytics

Personal income continues to grow modestly.

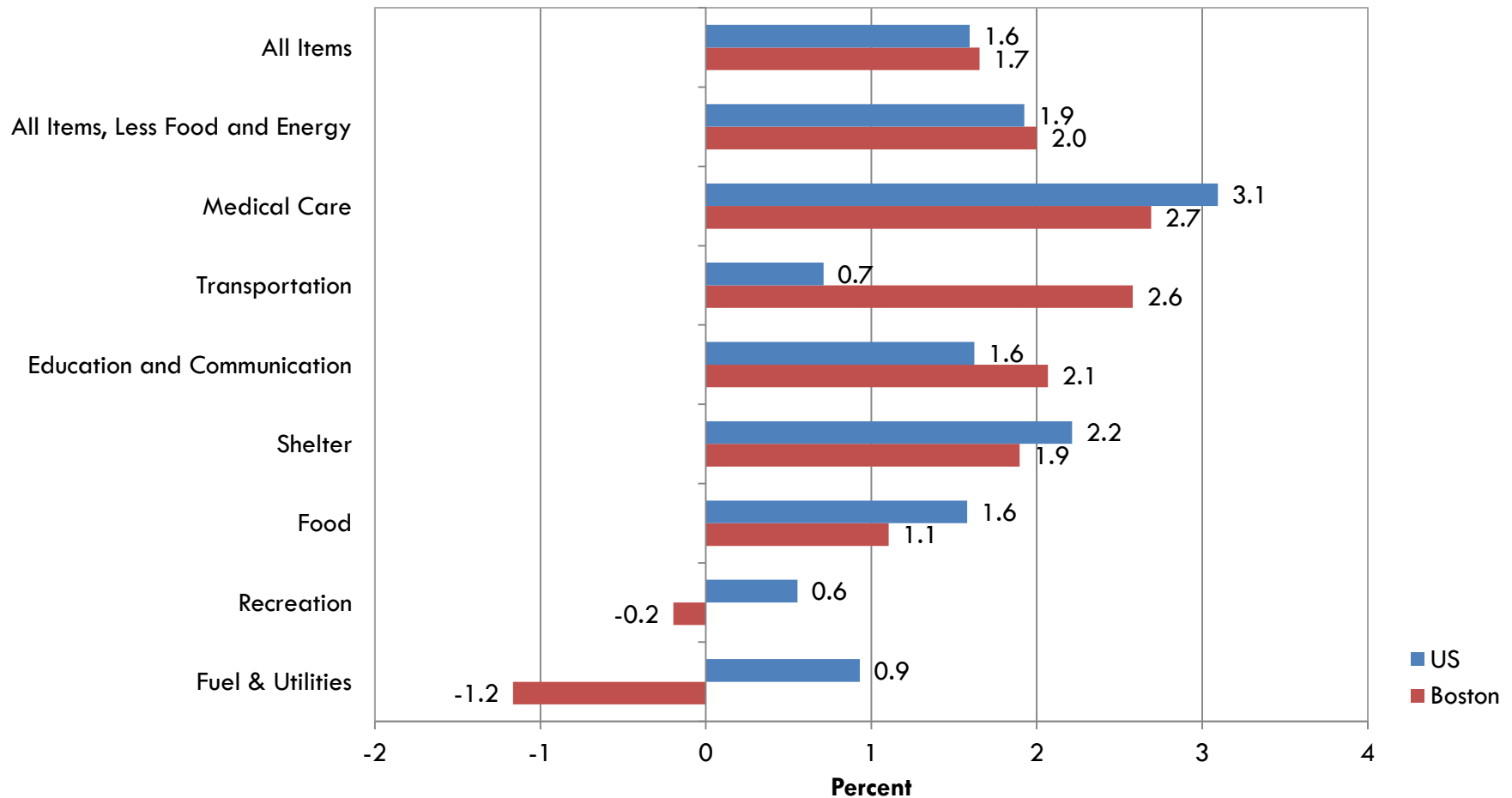


Inflation is moderate.

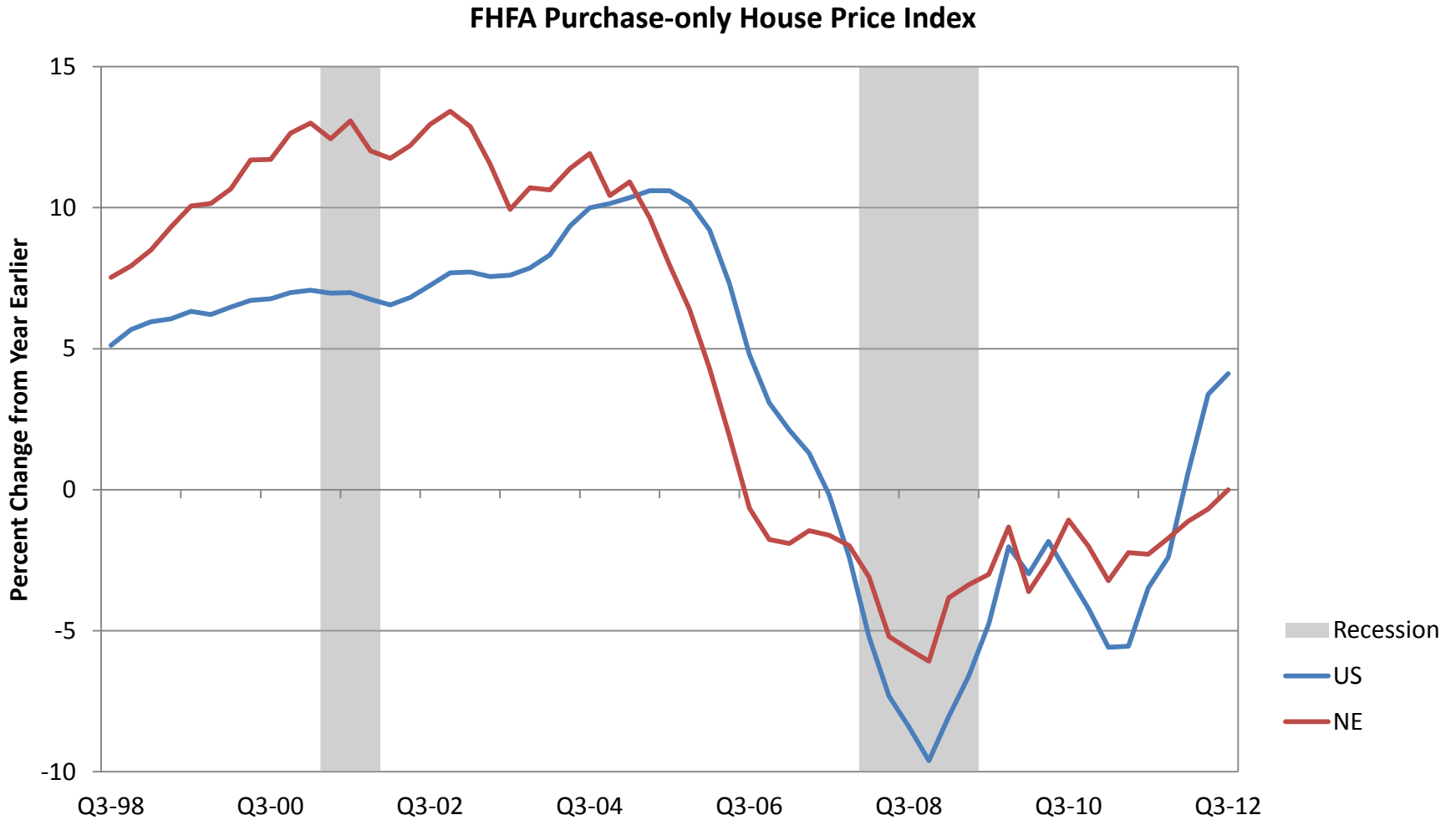


Components of the Consumer Price Index

Percent Change, January 2012 - January 2013

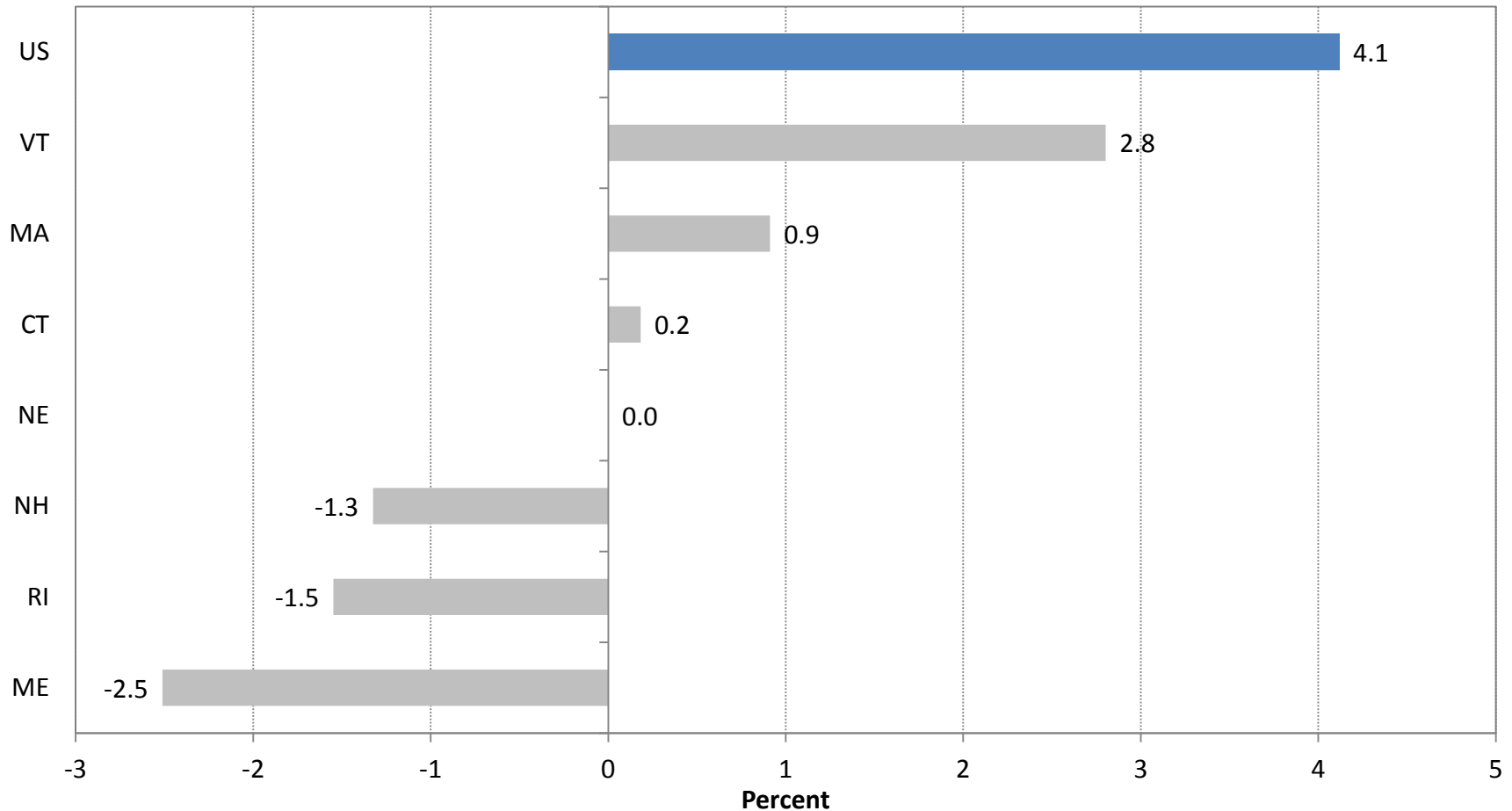


NE's housing market continues to recover.

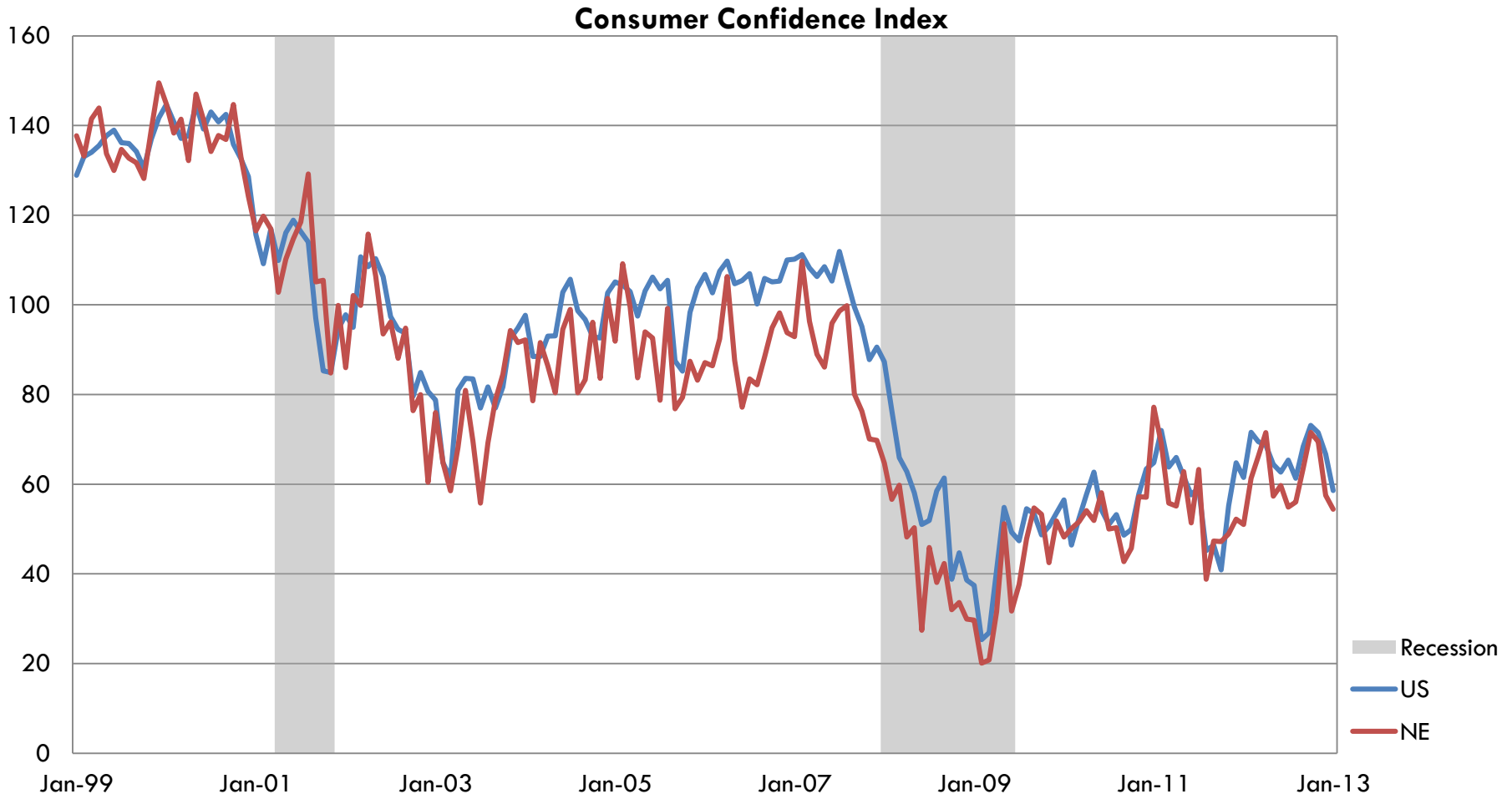


Housing recovery is uneven across the region.

FHFA Purchase-only House Price Index Percent Change Q3 2011 - Q3 2012



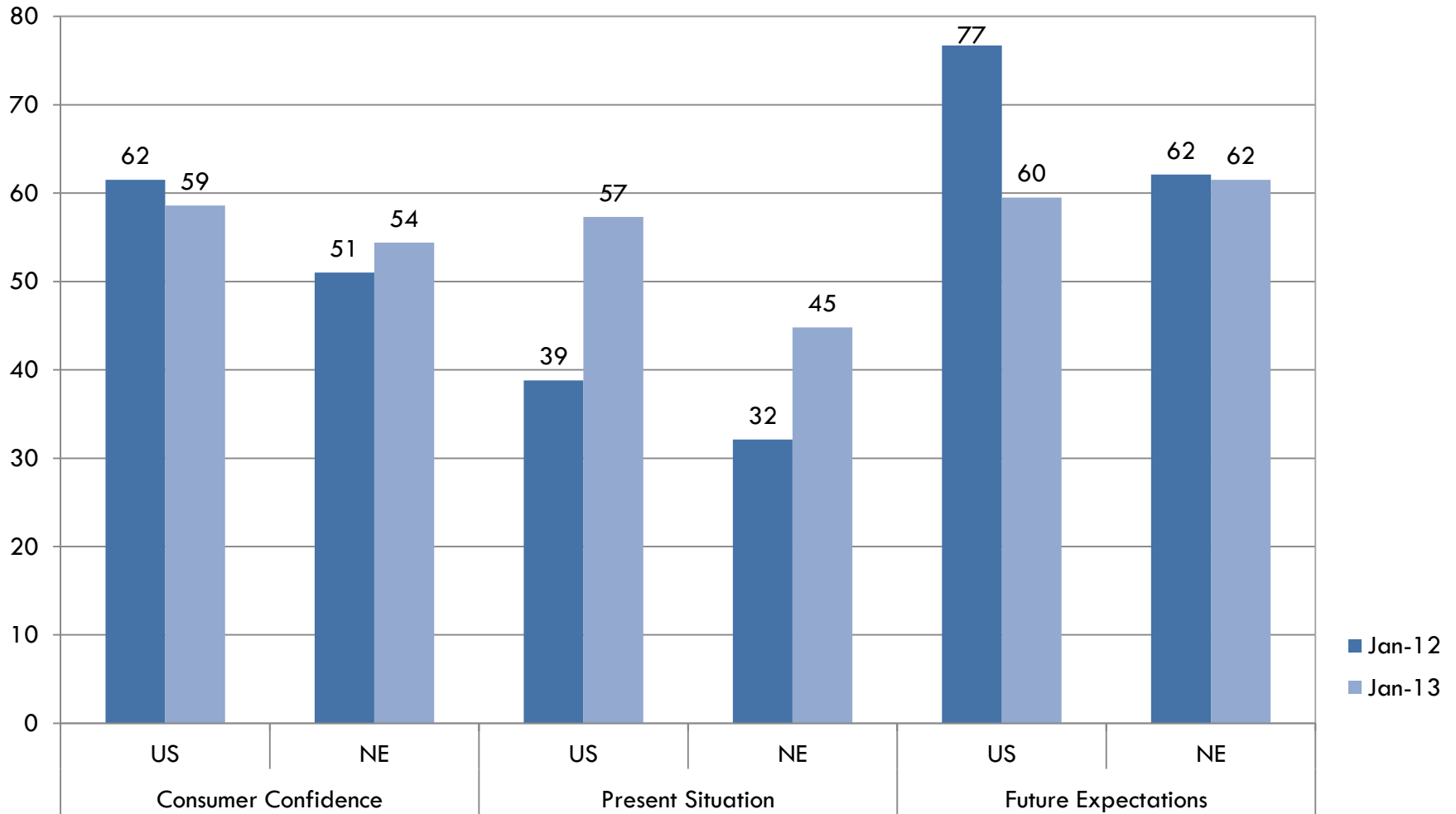
Consumer confidence declined in recent months.



Note: The index is based on consumers' perceptions of current business and employment conditions, as well as their expectations for six months hence regarding business conditions, employment, and income. Values are indexed to U.S. Average of 1985.

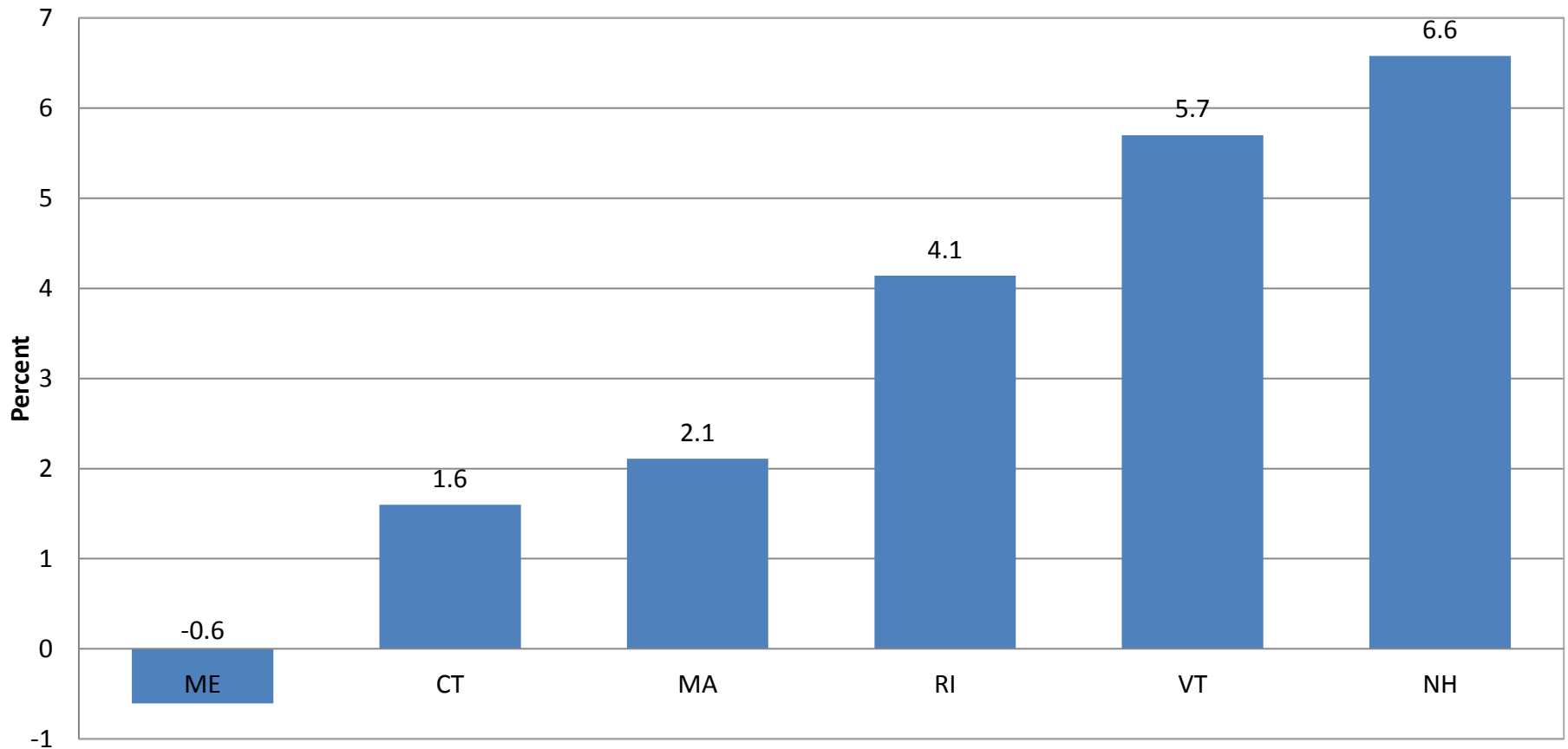
Source: The Conference Board, Haver Analytics

Components of consumer confidence index



Most NE states' revenue collections are higher than a year ago.

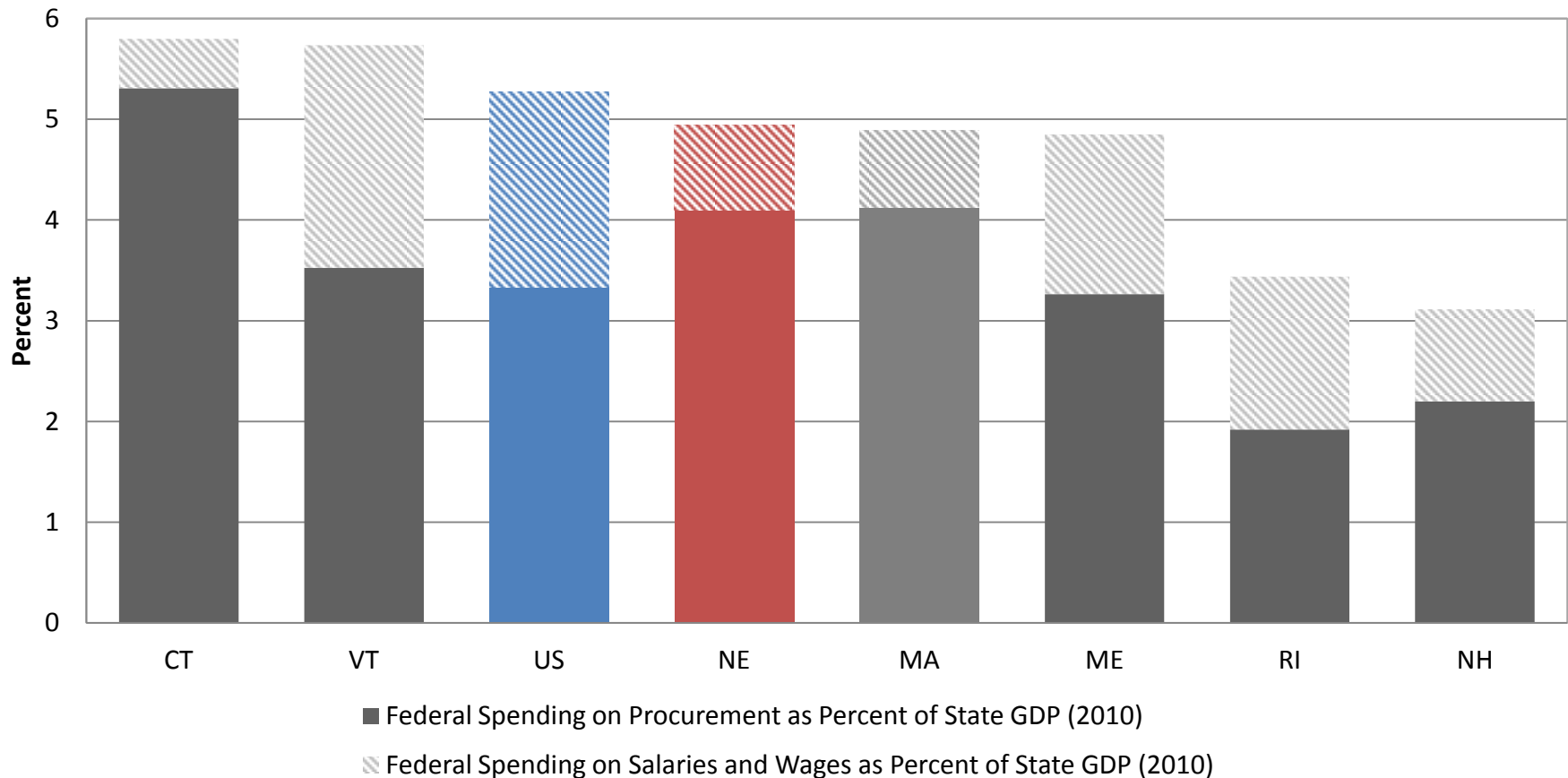
Percent change through December FYTD 2012 - 2013



Source: New England Public Policy Center at the Federal Reserve Bank of Boston, based on monthly revenue statements from respective state revenue offices

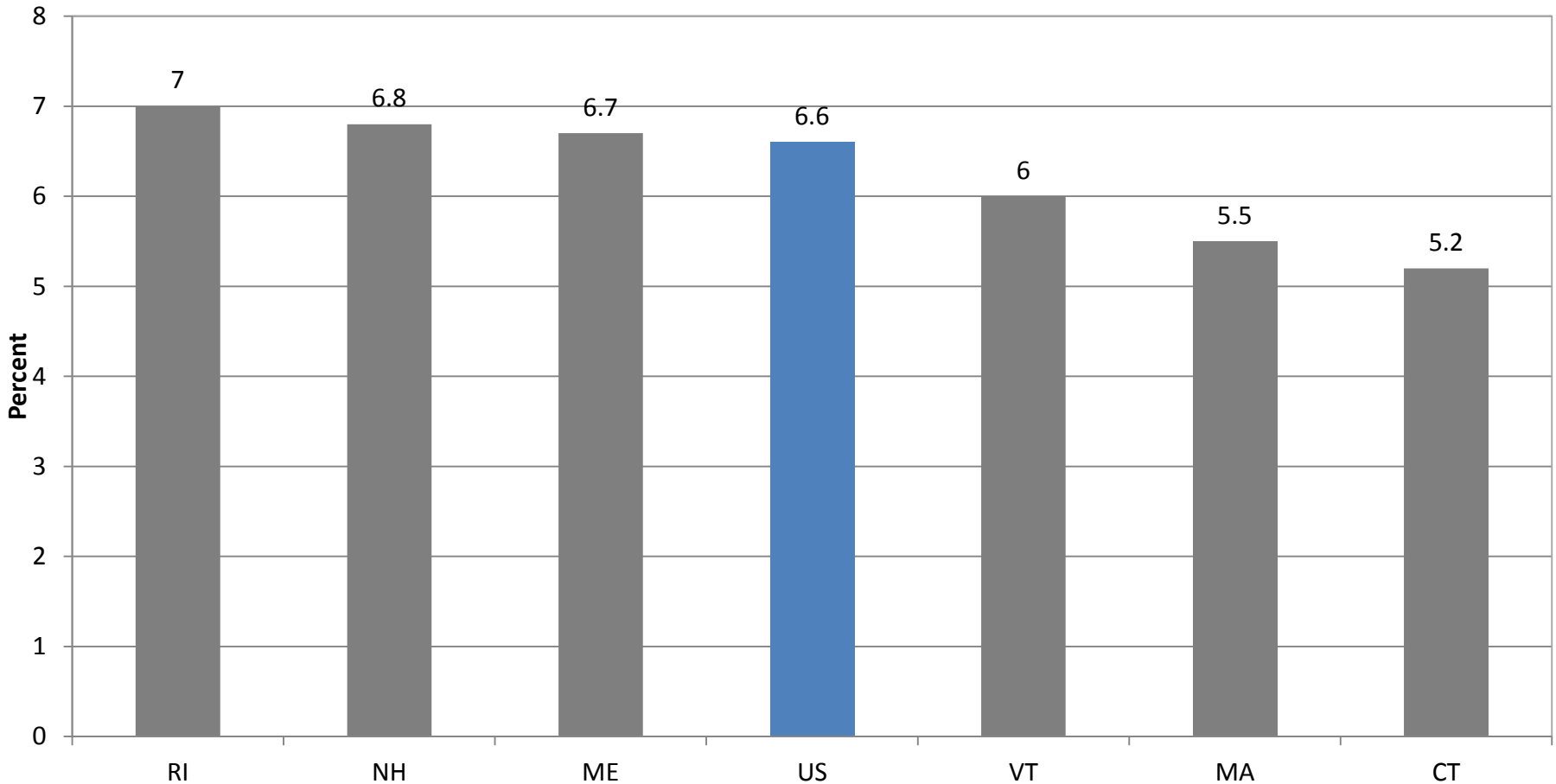
The uncertainty about federal fiscal policy poses a risk to economic recovery.

Federal Spending on Procurement, Salaries, and Wages as a Percent of State GDP (2010)



Any cutbacks in federal grants would have direct effects on state budgets.

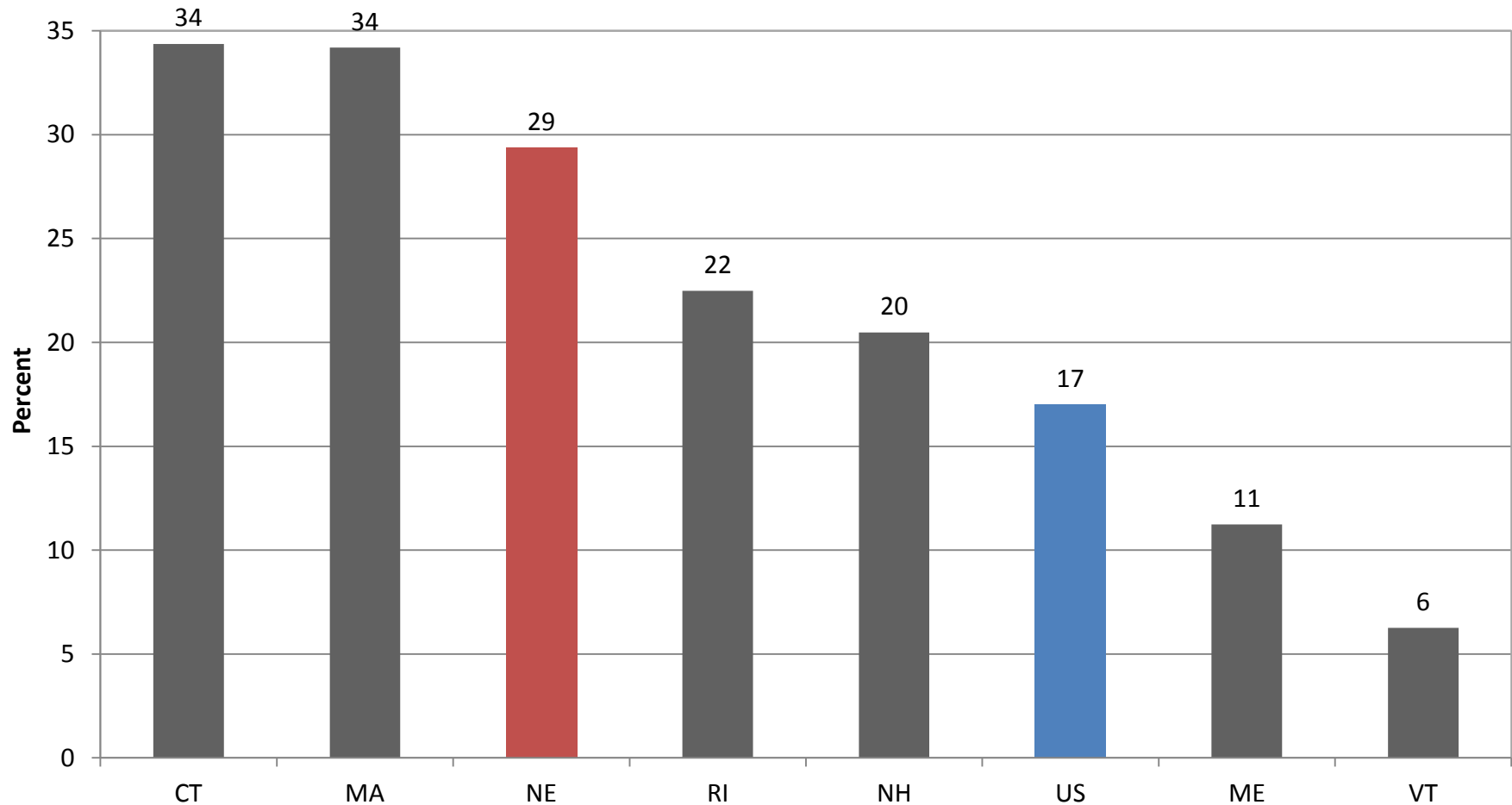
Federal Grants Subject to Sequester as a Percentage of State Revenue (2010)



Source: Pew Center on the States, "The Impact of the Fiscal Cliff on the States." November 2012.

NE has relatively high exposure to falling European economies.

Europe Exports as Percent of Total Exports (2011)



Federal Reserve officials expect somewhat elevated unemployment but low inflation through 2014-15.

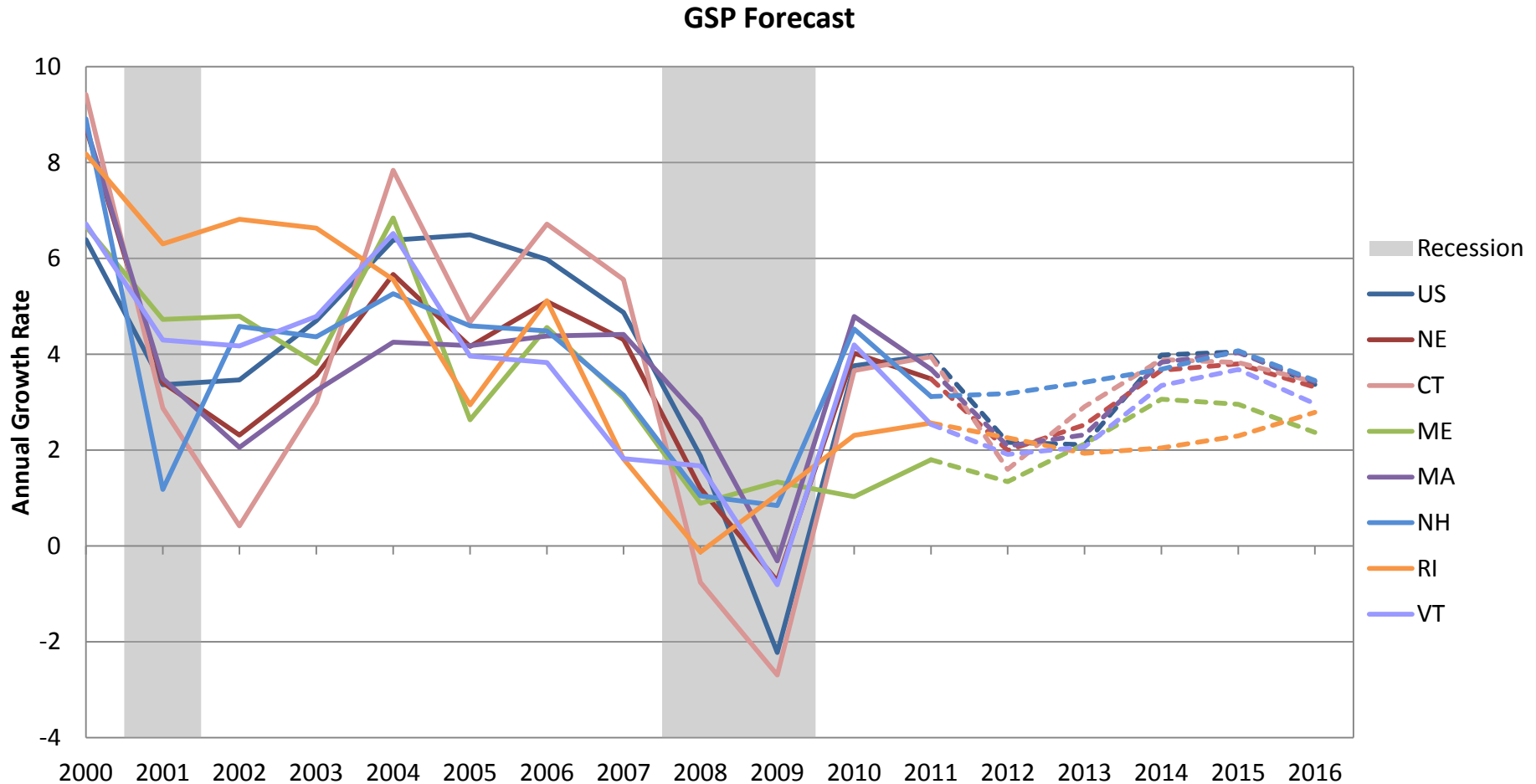
	Actual		Forecast			
	CY 2011 Q4	CY 2012 Q4	CY 2013 Q4	CY 2014 Q4	CY 2015 Q4	Longer Run
Real GDP growth (%)	2.0	1.5	2.3 to 3.0	3.0 to 3.5	3.0 to 3.7	2.3 to 2.5
Unemployment rate (%)	8.7	7.8	7.4 to 7.7	6.8 to 7.3	6.0 to 6.6	5.2 to 6.0
PCE inflation (%)	2.5	1.5	1.3 to 2.0	1.5 to 2.0	1.7 to 2.0	2.0

Note: Projections are fourth-quarter-to- fourth-quarter growth rates except for the unemployment rate, which is the fourth quarter level.

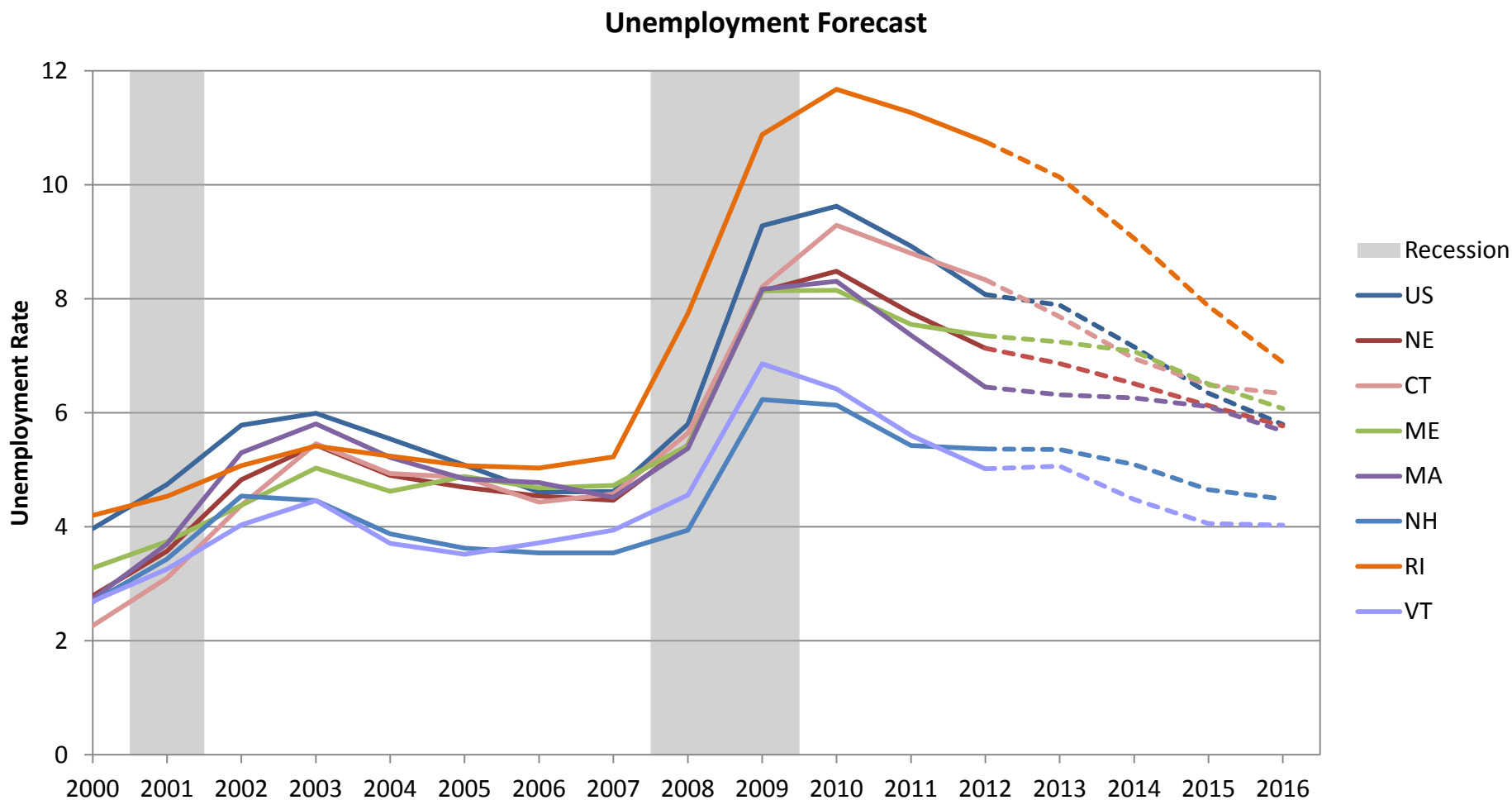
PCE = personal consumption expenditures.

Source: Federal Open Market Committee, Summary of Economic Projections for the Meeting of December 11-12, 2012. 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.

The NE economy is expected to expand through 2016.



Unemployment rates are expected to gradually decline, but stay above the pre-recession levels.



Summary

- Employment is recovering slowly and unevenly in New England.
- The housing market continues to improve.
- Inflation remains moderate.
- Risks to economic recovery include uncertainty about federal fiscal policy and Eurozone economic problems.
- Forward-looking indicators suggest positive, moderate economic growth through 2016.