

U.S. and New England Economic Conditions and Outlook



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AFTER THIS BRIEF, CHEERFUL
MESSAGE, WE'LL BE BACK
WITH MORE "GLOOM AND
DOOM" ECONOMIC REPORTS...



Schwartz
www.schwartz.com

Chronology of the U.S. economic downturn and emergent recovery

Housing bubble bursts



Repercussions are widespread



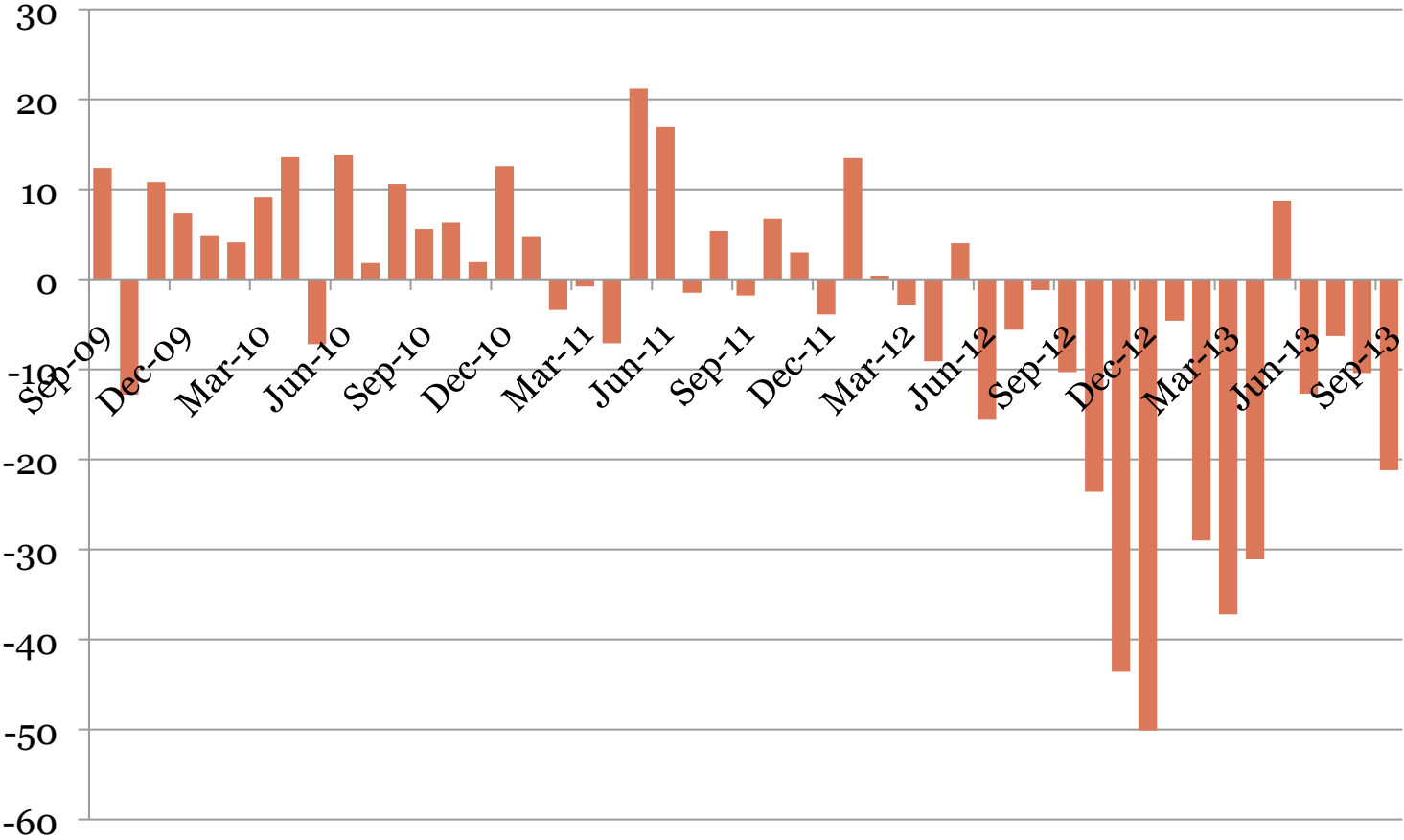
Severe recession and financial crisis ensue



Fiscal and monetary policymakers take unprecedented actions

Local impact: New England region has lost 302,000 jobs since 2008 peak.

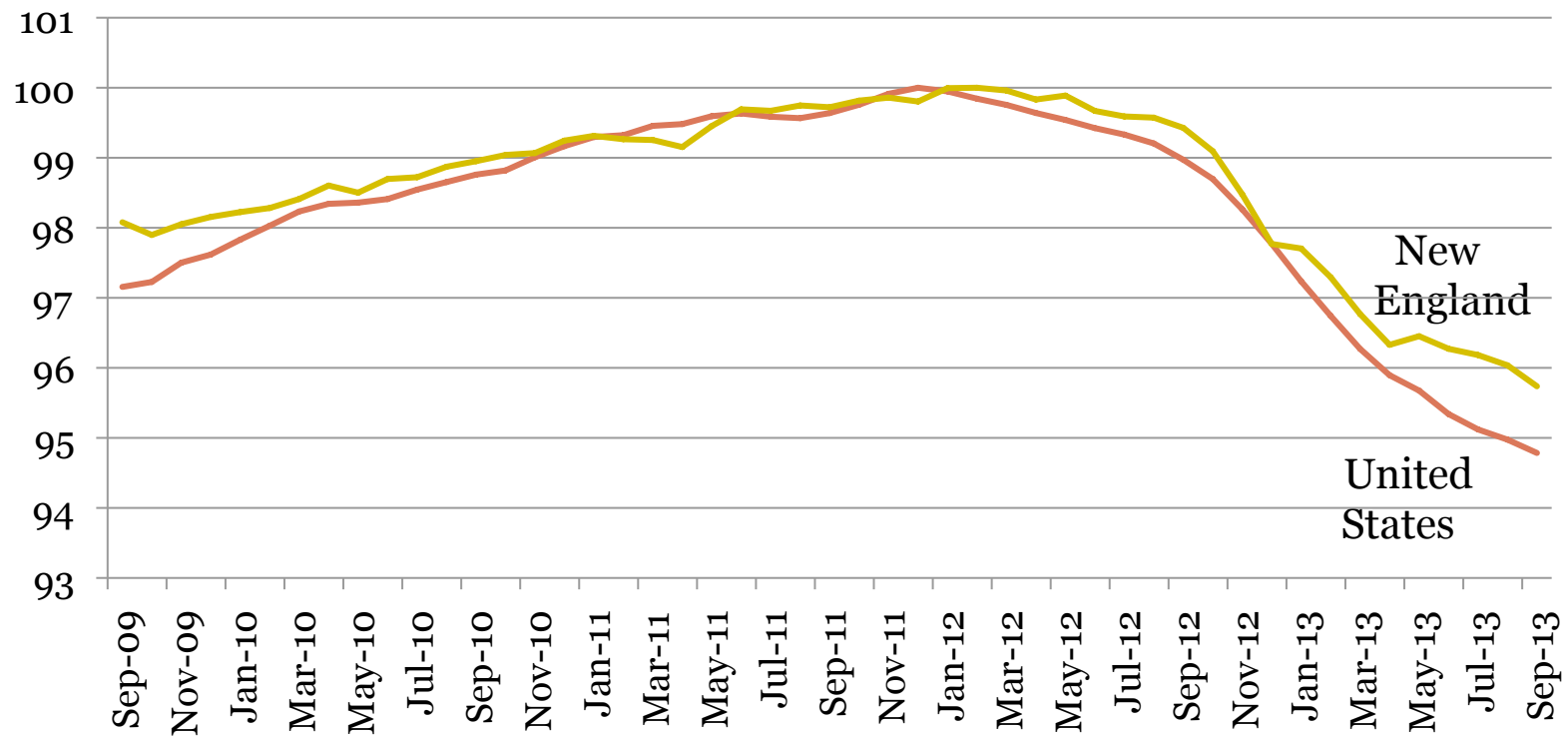
Thousands of Jobs



Source: U.S. Bureau of Labor Statistics.

But unlike last two recessions: percentage decrease not worse in New England than nationally.

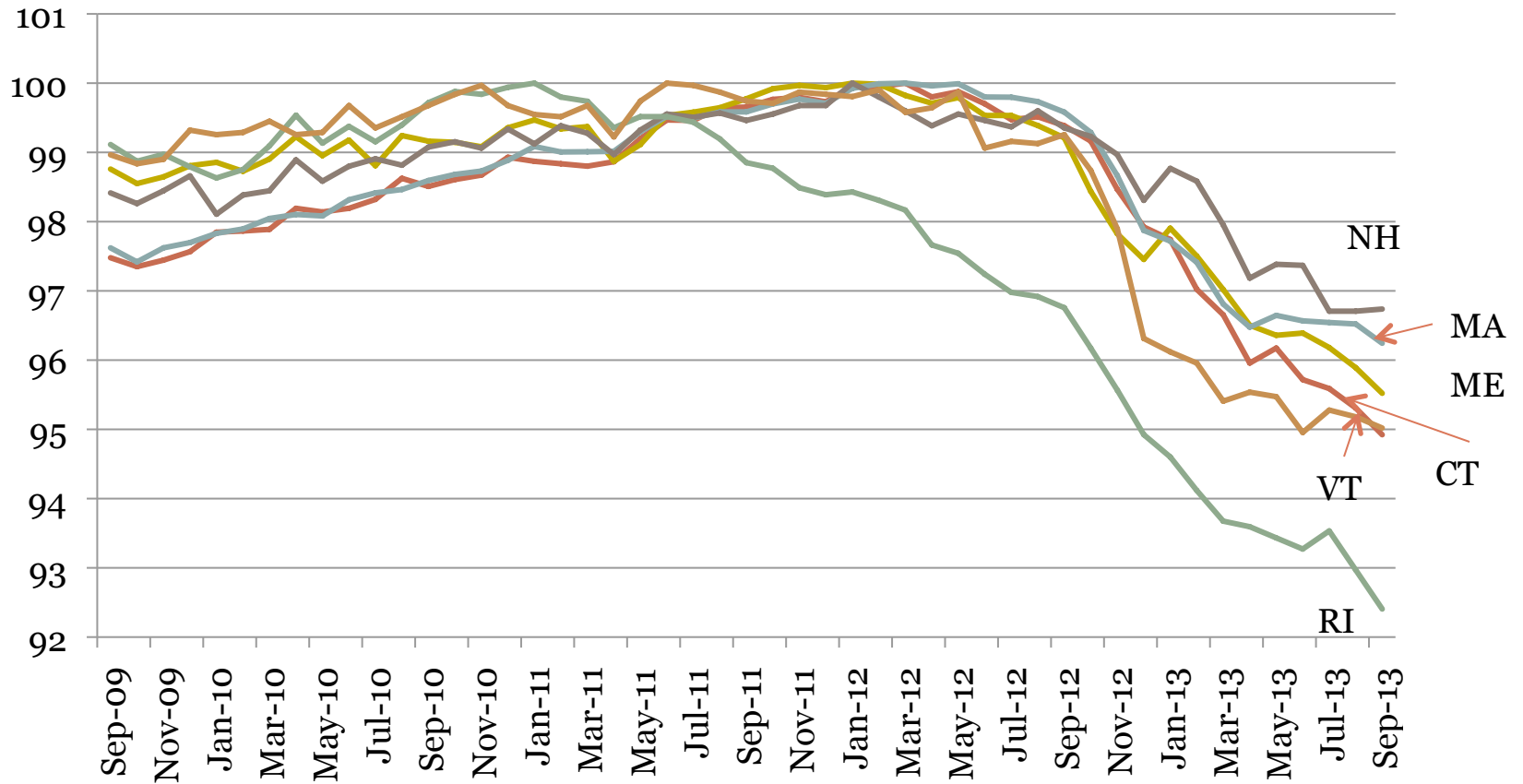
Index, Peak = 100



Source: U.S. Bureau of Labor Statistics.

Rhode Island has suffered the sharpest job losses.

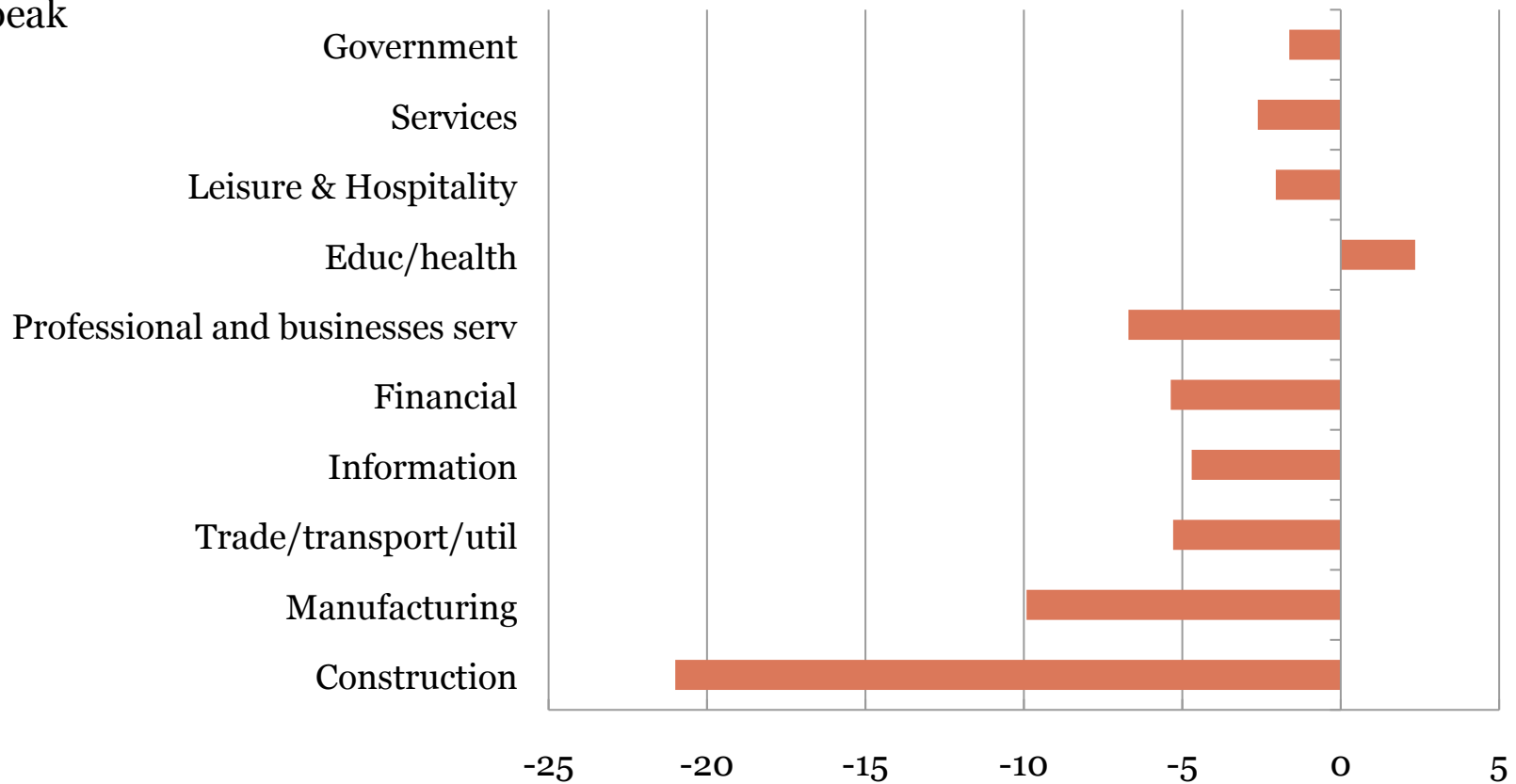
Index, Peak = 100



Source: U.S. Bureau of Labor Statistics.

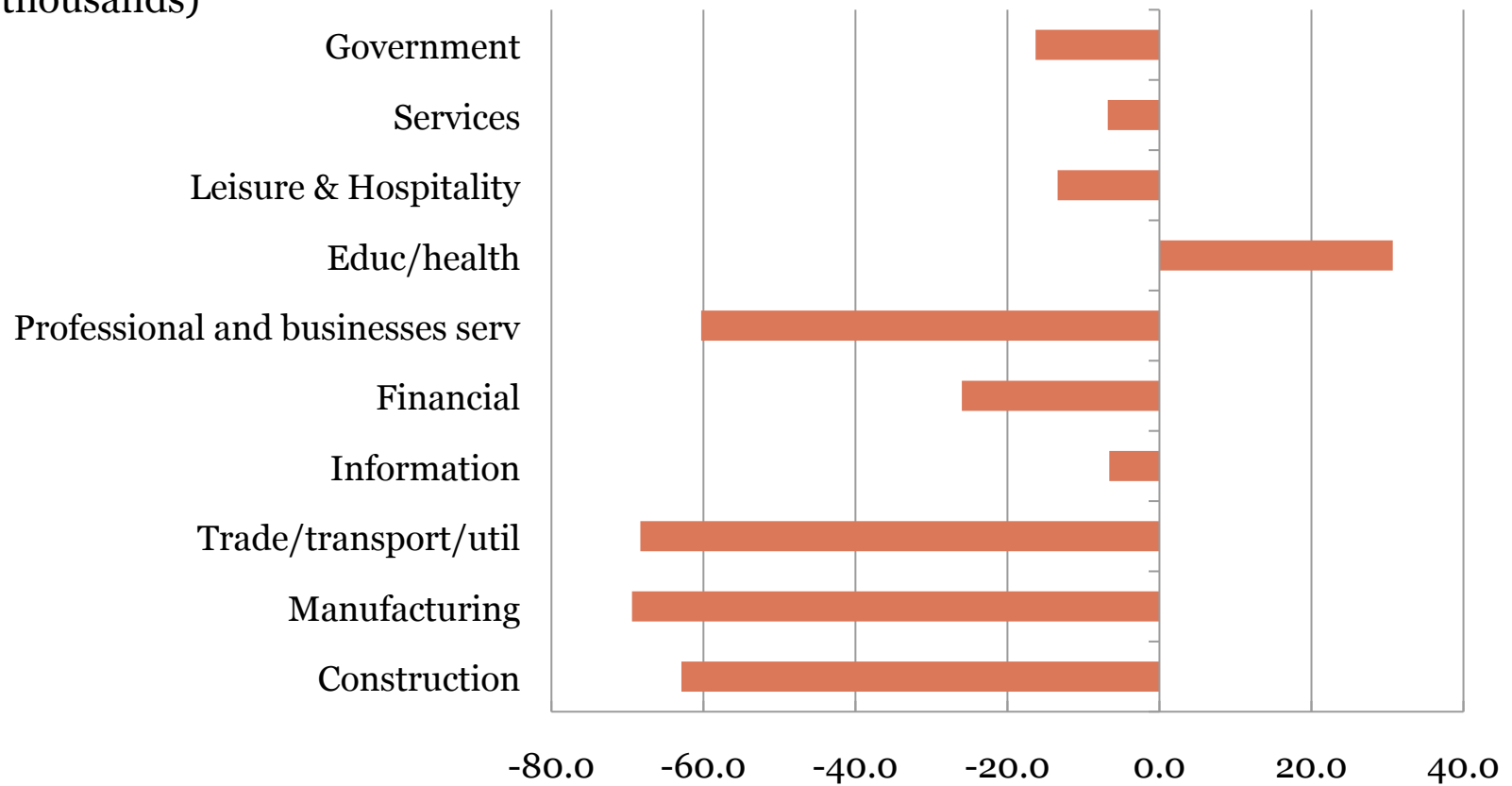
Construction employment has fallen 21 percent since early 2008. Education & Health Care is the only major sector with job gains.

NE employment:
Percent change since Feb
2008 peak

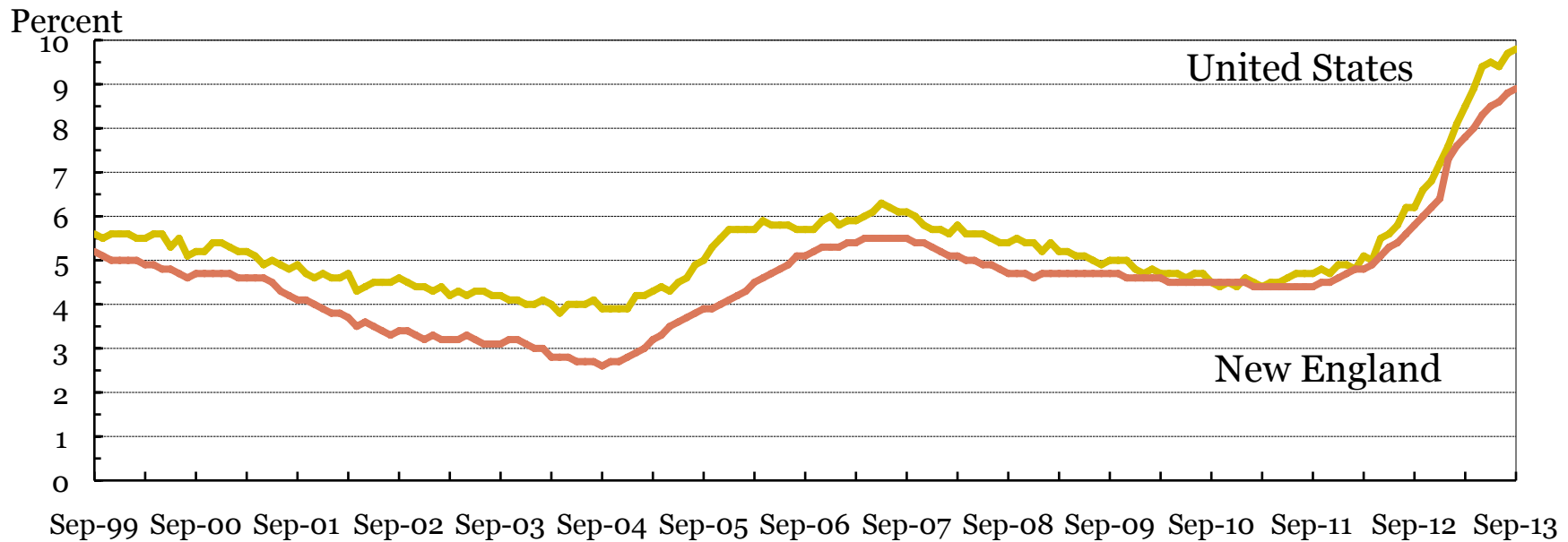


Four sectors have lost at least 60,000 jobs.

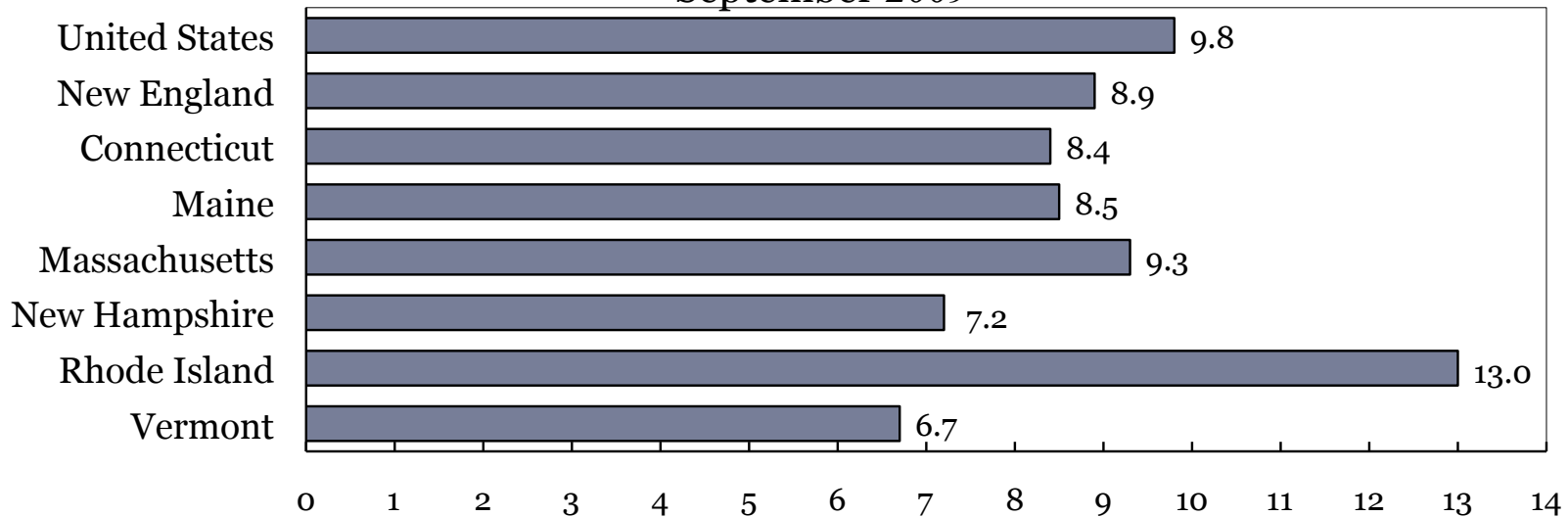
NE Employment:
Change in jobs since Feb
2008 (thousands)



New England unemployment rate highest since 1976.

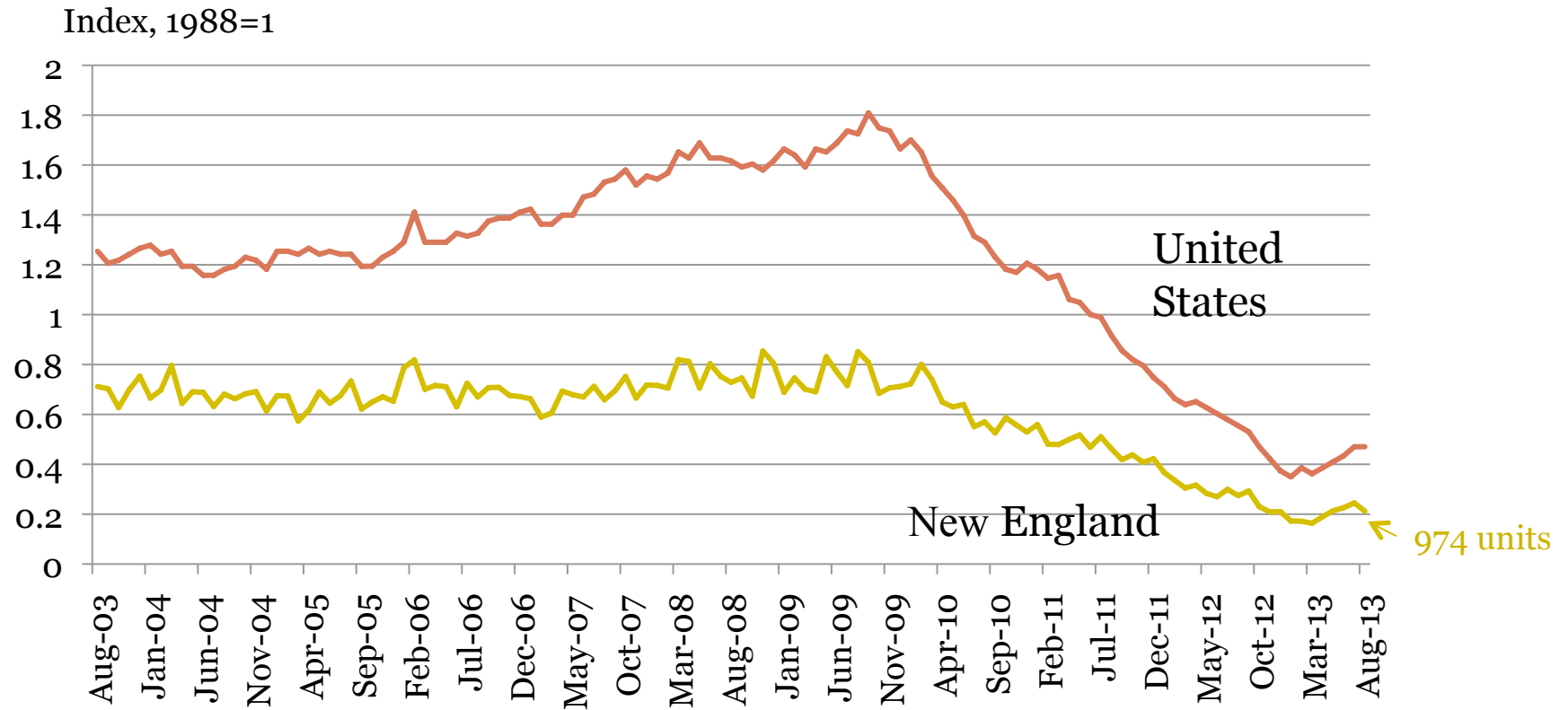


September 2009



Source: U.S. Bureau of Labor Statistics.

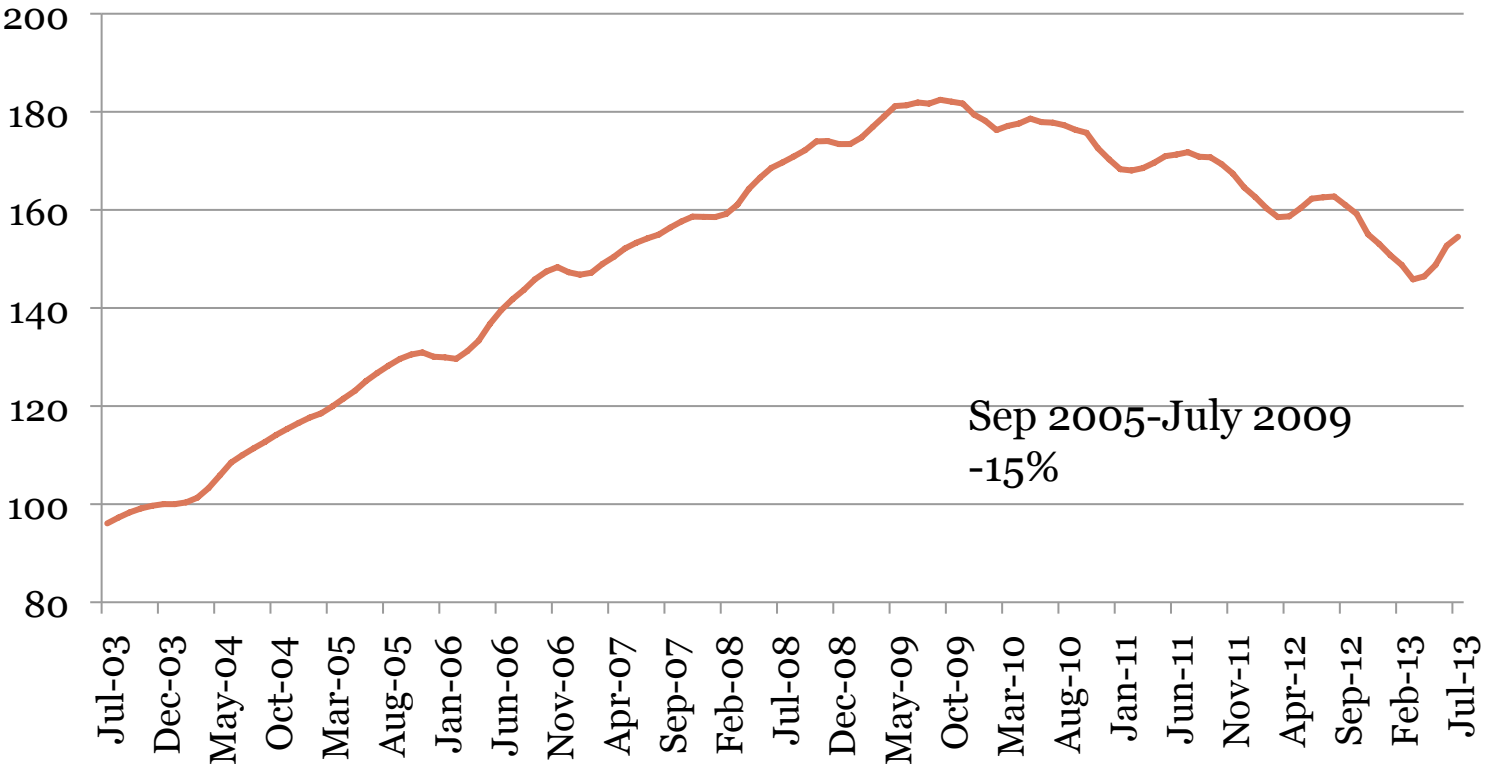
Single-family housing permits have finally bottomed out and are beginning to turn up a little.



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

Boston-area home prices fell to their 2003 levels and may be starting to rise.

Case-Shiller home price index for Boston
(Index January 2000=100)



Source: Standard & Poors.

Home prices in almost all other large metro areas have come down even more.

	Date of peak	Percent change (peak-Jul 09)
Las Vegas	May-06	-54.8
Phoenix	Mar-06	-53.1
Miami	Sep-06	-47.6
Detroit	Sep-05	-44.7
San Francisco	Feb-06	-41.0
Los Angeles	Jun-06	-40.2
Tampa	Apr-06	-40.0
San Diego	Aug-05	-39.7
Minneapolis	Jun-06	-30.6
Washington	Feb-06	-29.8
Chicago	Jun-06	-23.9
Seattle	May-07	-22.3
Portland	Apr-07	-19.5
New York	Mar-06	-19.5
Atlanta	Apr-07	-19.4
Boston	Sep-05	-15.3
Cleveland	Apr-06	-12.6
Charlotte	May-07	-10.8
Denver	May-06	-8.2

Source: Standard & Poors.

Federal Reserve officials expect positive U.S. GDP growth in the second half of 2009 and 2010. Latest staff forecasts more optimistic, but still show high unemployment at yearend 2010.



	CY 2009 Q4	CY 2010 Q4	CY 2011 Q4
Real GDP growth (%)	-1.5 to -1.0	2.1 to 3.3	3.8 to 4.6
Unemployment rate (%)	9.8 to 10.1	9.5 to 9.8	8.4 to 8.8
PCE inflation (%)	1.0 to 1.4	1.2 to 1.8	1.1 to 2.0

Source: Federal Open Market Committee, Summary of Economic Projections for the Meeting of June 2009. Table shows central tendencies among the Federal Reserve Board governors and Federal Reserve Bank presidents.

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

Why will the economic recovery be so gradual?



- Banks remaining cautious in extending credit.
- Consumers remaining cautious in spending.
- Businesses remaining cautious in hiring and investing.
- Effects of fiscal stimulus fading.

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QUESTIONS?