

Observations on the Northeast Economic Outlook

Jeffrey B. Carr

VBM/Key Bank 5X5X5 Awards

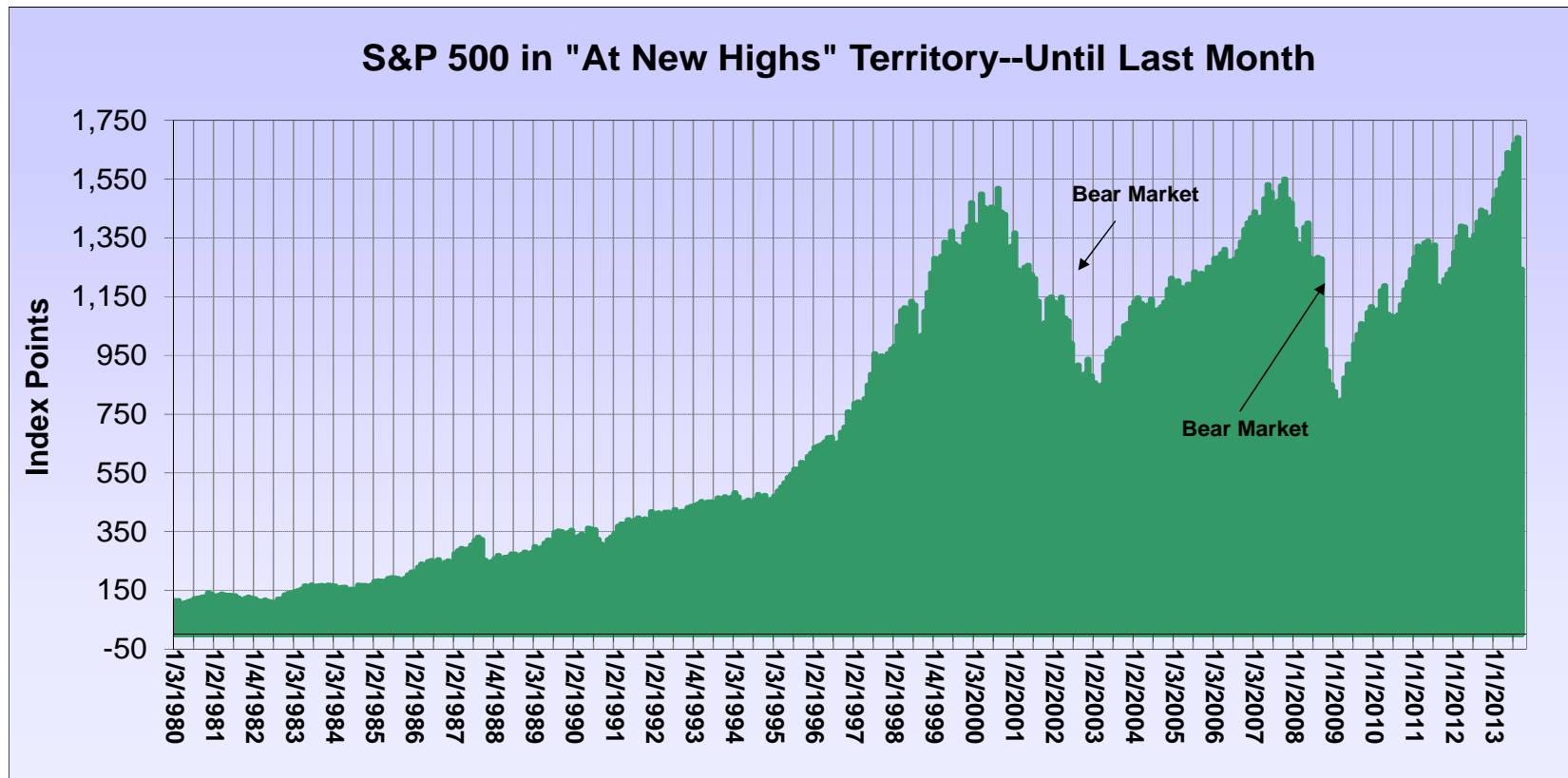
South Burlington, Vermont

September 16, 2013

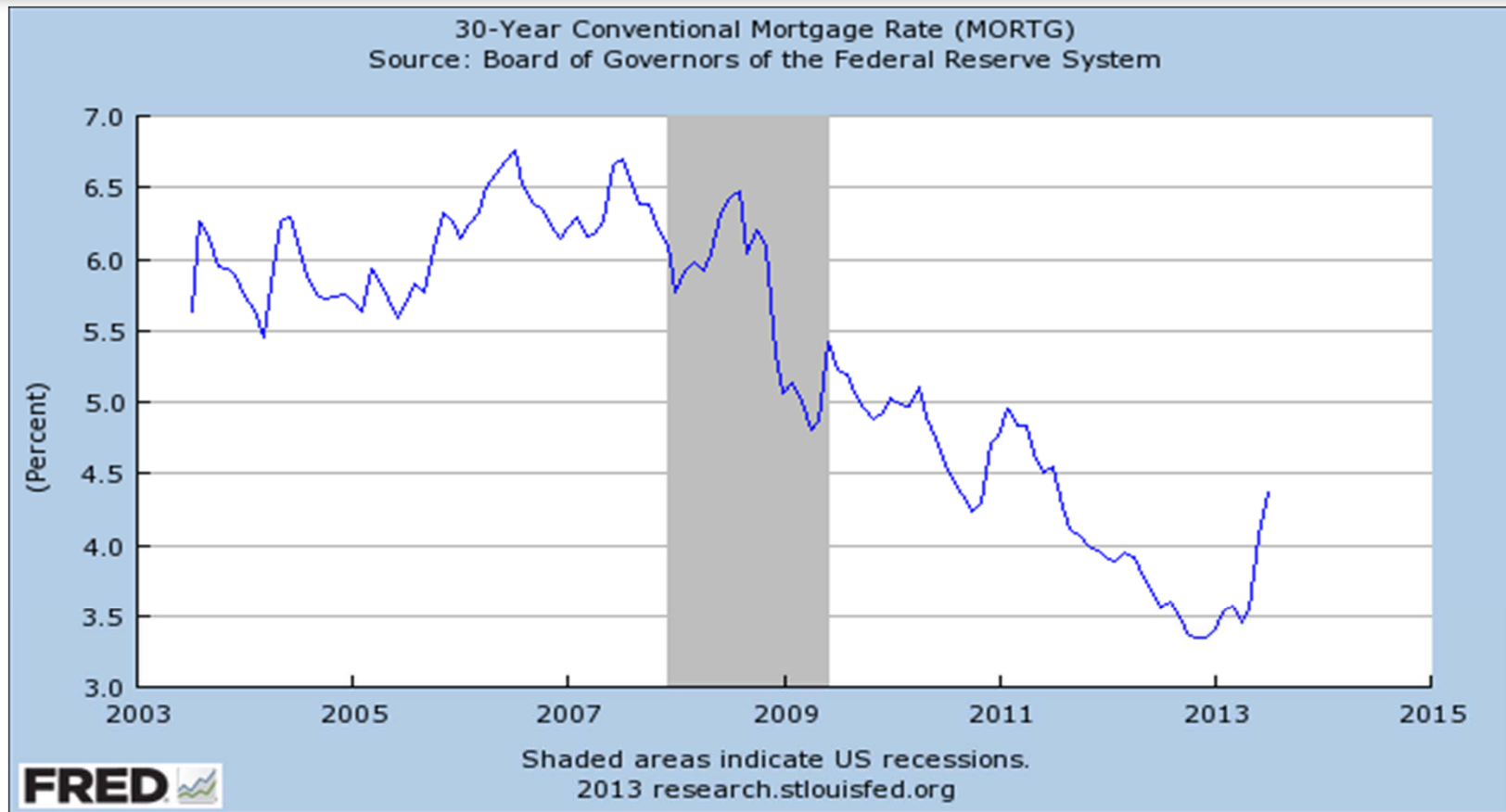
Adapted from the updated June 2013 New England Economic
Partnership Forecast

The U.S. Context

S&P Composite Index—New Highs until Last Month...



The U.S. Context: Historically Low Mortgage Rates—But Now Are Rising...

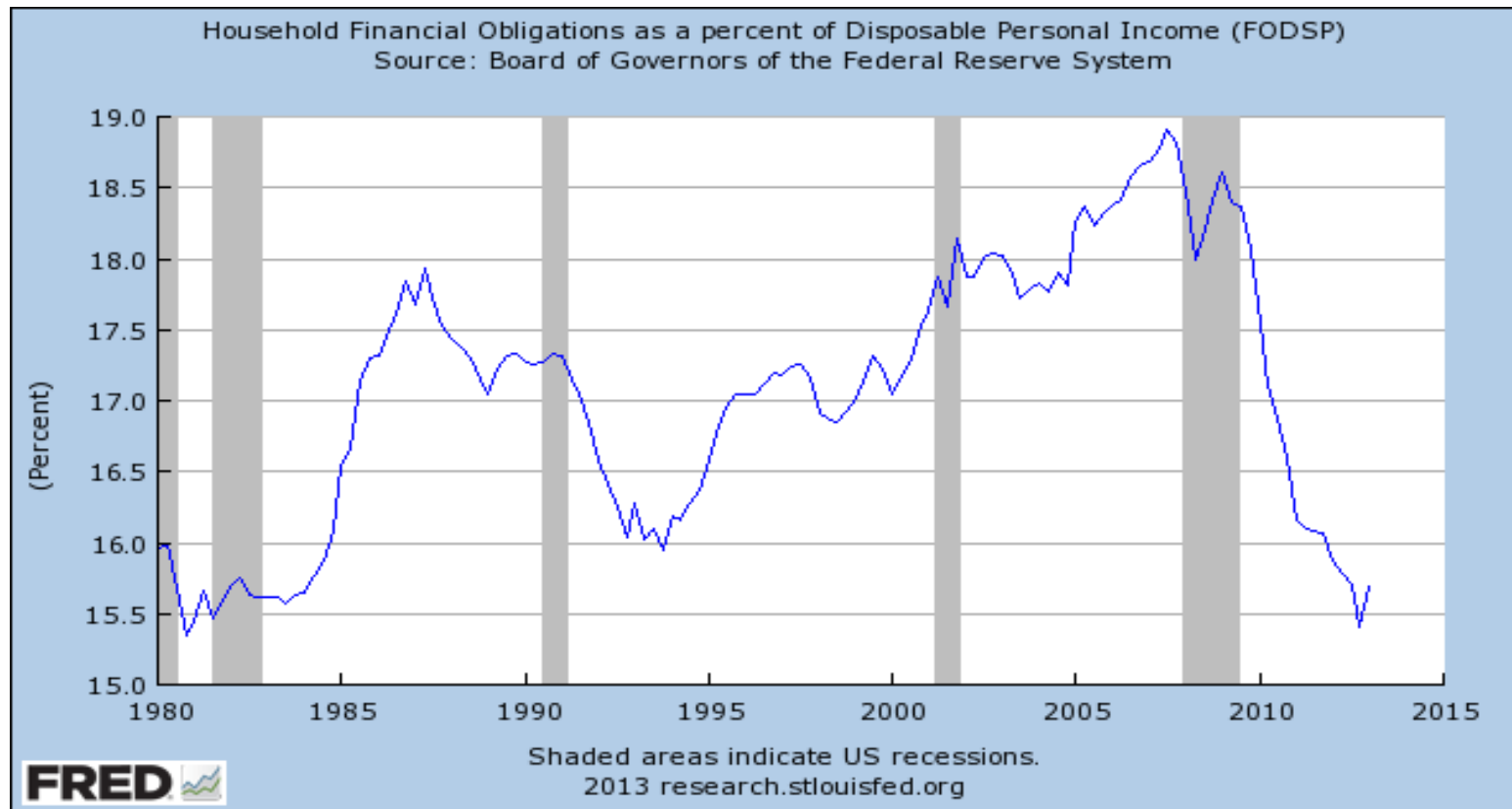


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The U.S. Context:

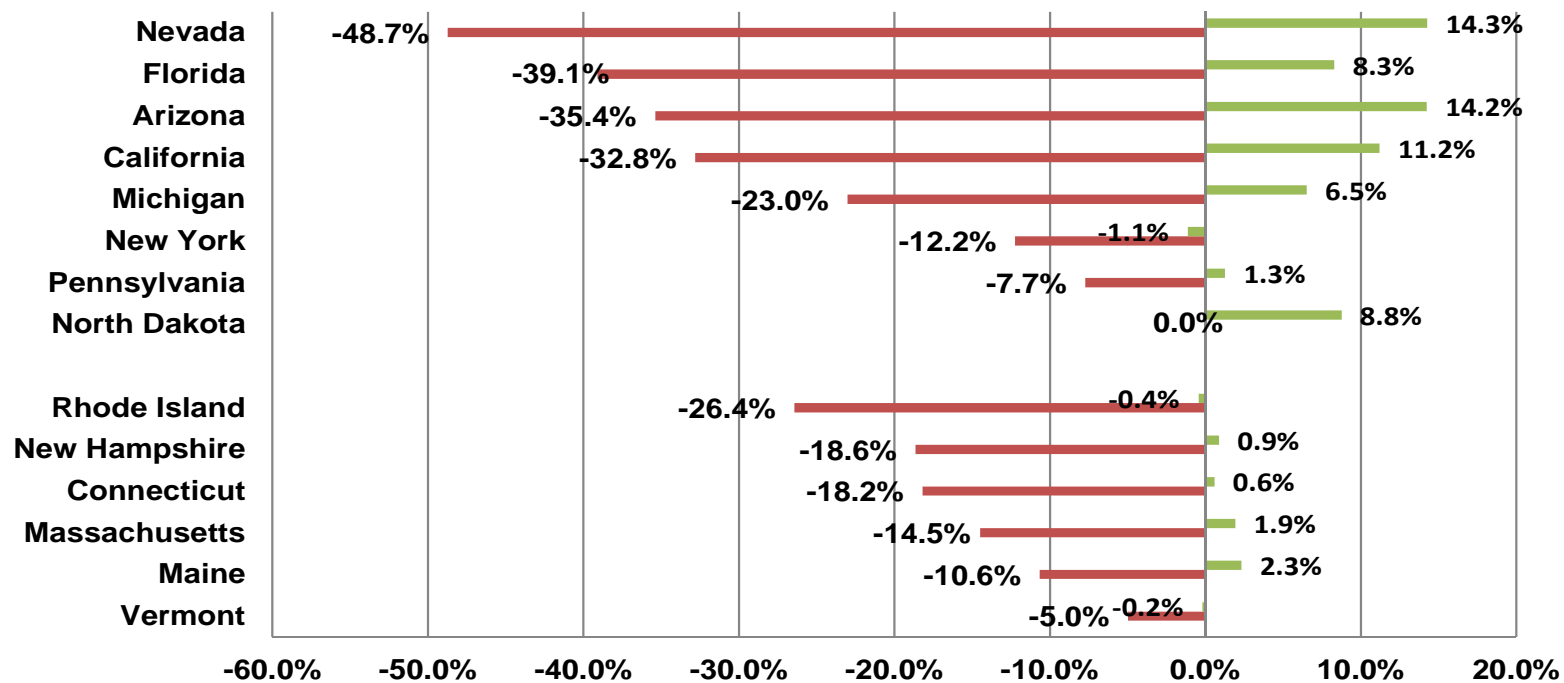
Debt Service Payments Are Now at the Level They Were During the First Term of the Reagan Administration...



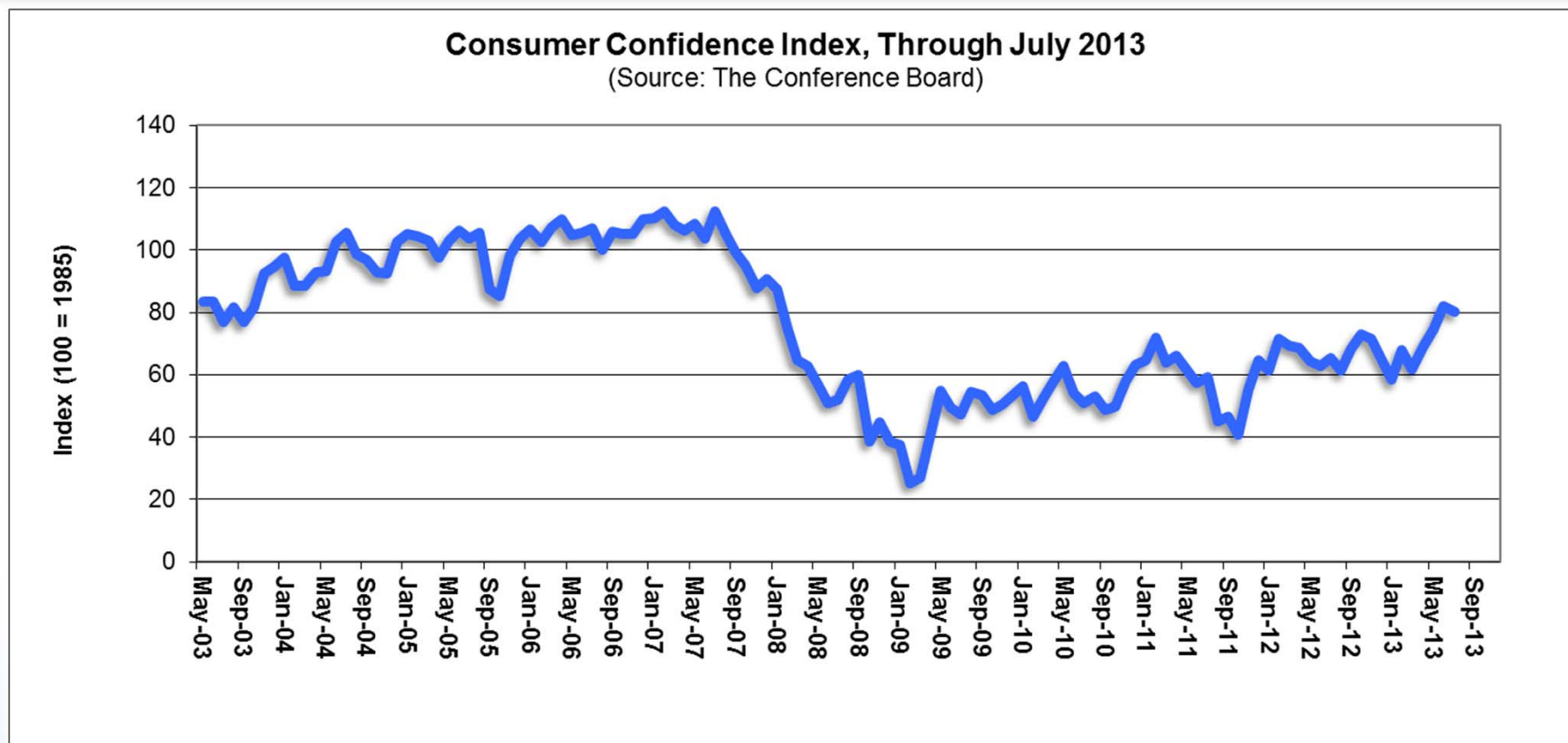
The U.S. Context

Housing Prices Are Turning Around...

Change in House Prices "From Peak [RED]" and "Last 4 Quarters" [Green] FHFA Data--Thru Q2: 2013 [All Transactions]

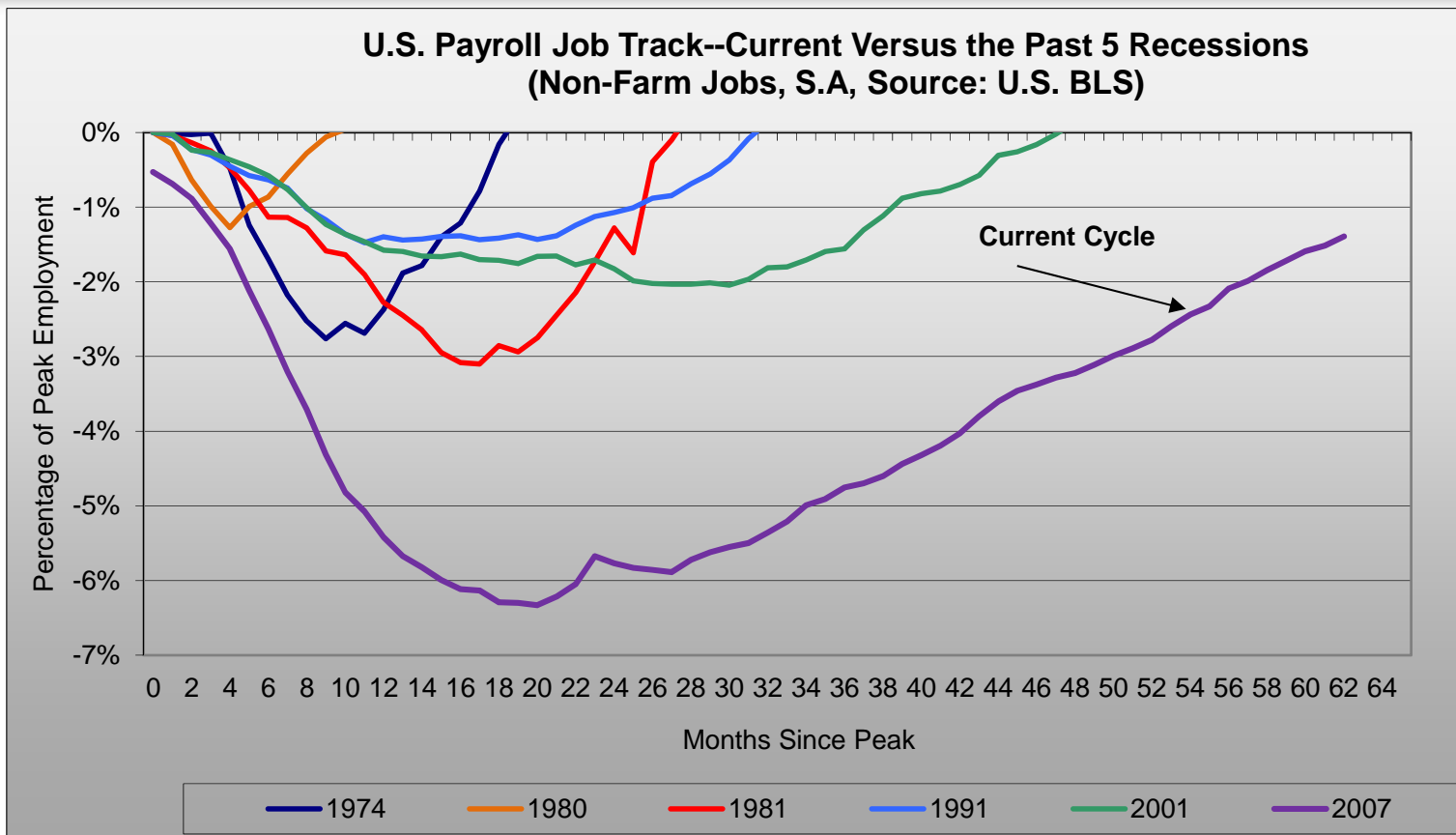


The U.S. Context: Consumer Confidence Index—Recovering...



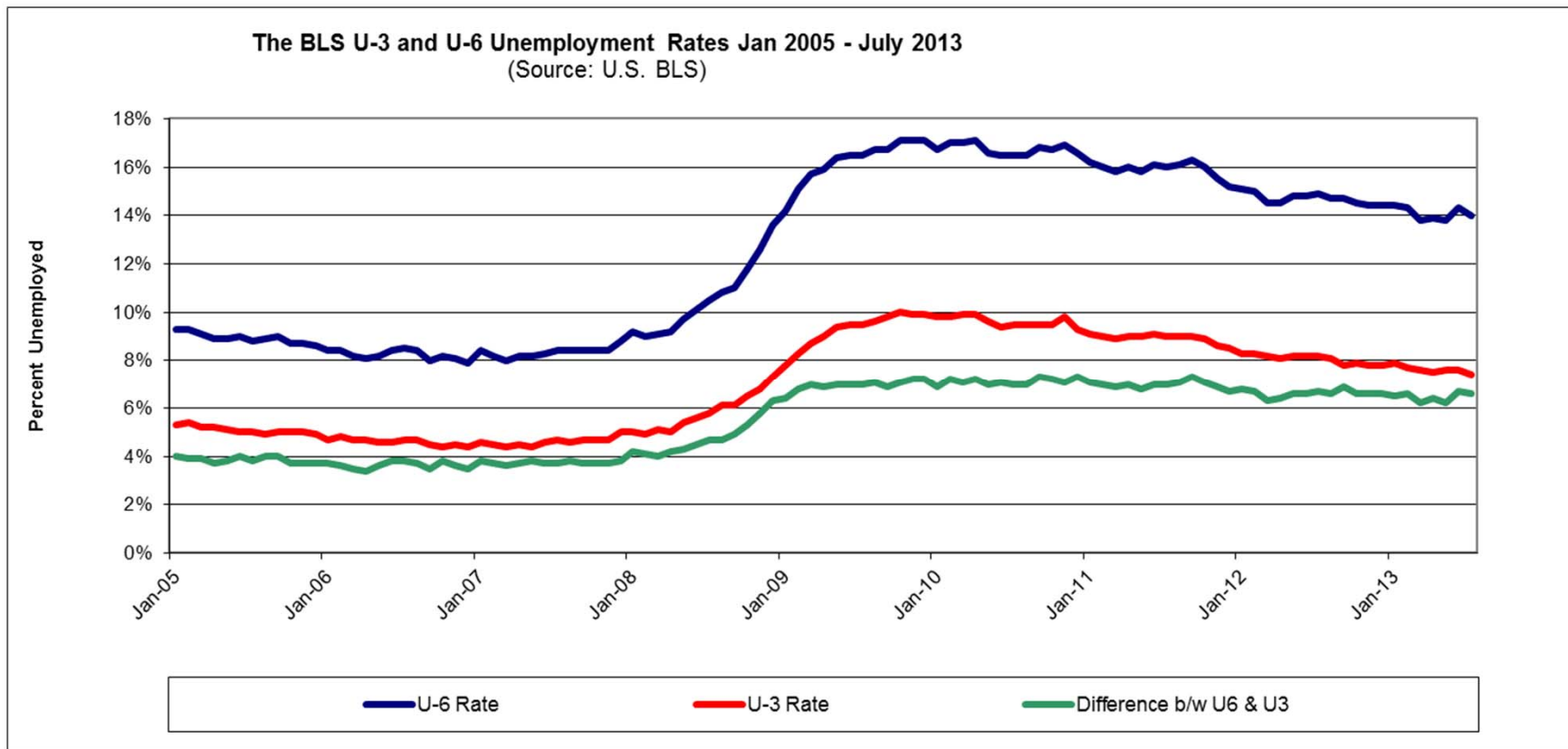
The U.S. Context

A Sub-Par Labor Market Recovery Continues...



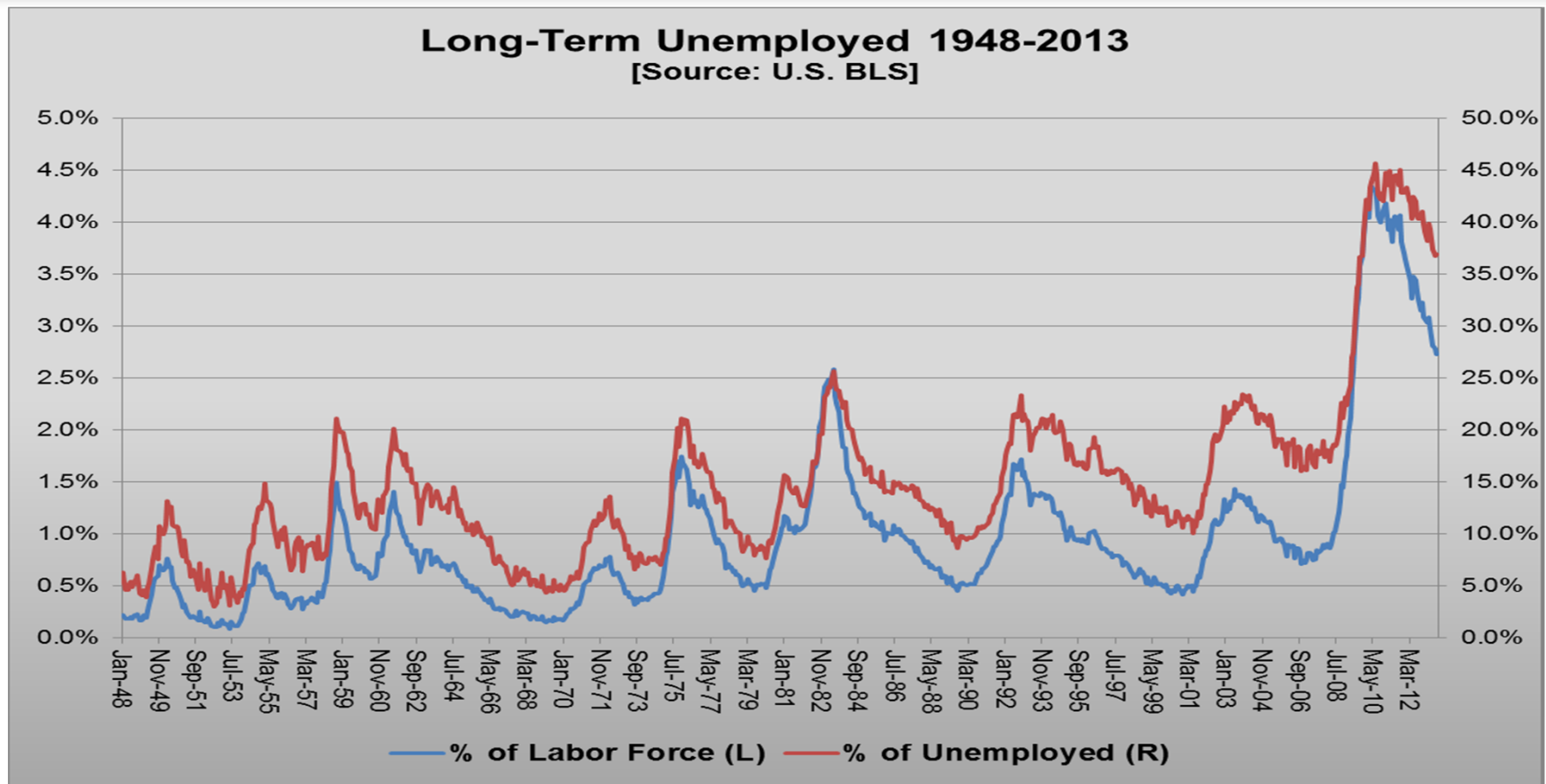
The U.S. Context

Real Joblessness Remains "Stubbornly High"...



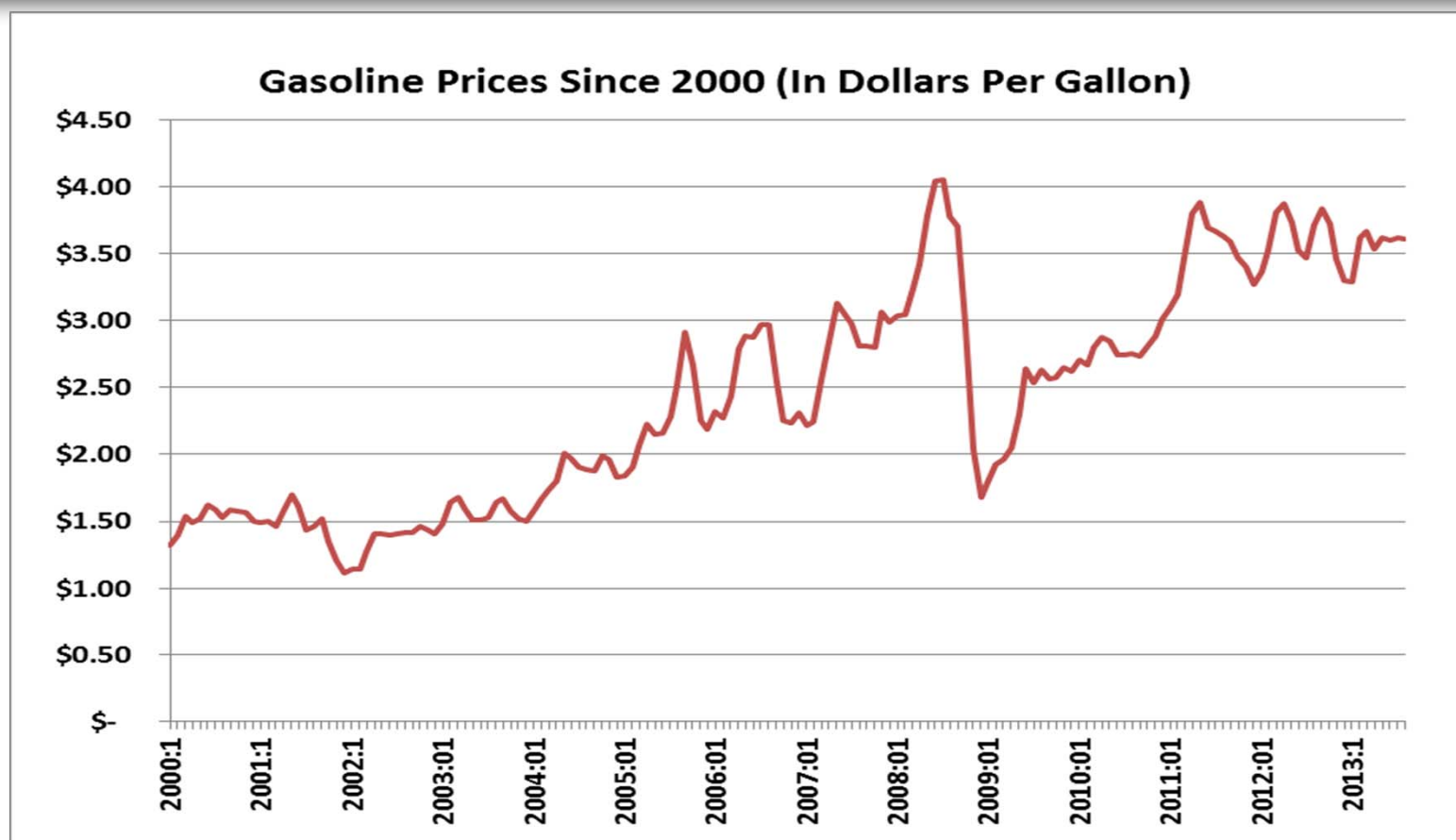
The U.S. Context

Duration of Unemployment—Still a Problem...



The U.S. Context

Gasoline Prices Still Elevated...



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The NE-VT Context: Year over Year Job Change—Moving Forward...

Year-Over-Year Job Change by State <i>Total Payroll Jobs (July 2012-July 2013)</i>		
Rank	State	% Change
1	Utah	3.5%
2	North Dakota	3.2%
3	Georgia	2.9%
4	Arizona	2.8%
5	Texas	2.8%
11	New Jersey	2.3%
15	Florida	2.1%
23	Massachusetts	1.7%
27	Vermont	1.6%
30	Connecticut	1.5%
34	New York	1.4%
36	New Hampshire	1.3%
41	Maine	1.1%
46	Ohio	1.0%
47	Oklahoma	0.8%
48	Rhode Island	0.7%
49	Pennsylvania	0.6%
50	Alaska	-0.3%

Source: U.S. Department of Labor, BLS

Year-Over-Year Job Change by State <i>Private Sector Payroll Jobs (July 2012-July 2013)</i>		
Rank	State	% Change
1	Utah	4.5%
2	North Dakota	3.7%
3	Georgia	3.6%
4	Idaho	3.2%
5	Texas	3.2%
13	Florida	2.5%
15	New Jersey	2.5%
26	California	2.0%
29	New Hampshire	2.0%
32	Massachusetts	1.9%
33	New York	1.8%
35	Maine	1.6%
39	Connecticut	1.5%
40	Vermont	1.5%
46	Nevada	1.1%
47	Pennsylvania	0.9%
48	Oklahoma	0.8%
49	Rhode Island	0.8%
50	Alaska	0.1%

Source: U.S. Department of Labor, BLS



The NE-VT Outlook

Payroll Job Performance By NAICS Supersector July 2012 vs. July 2013

Industry Supersector	Highest Ranked Northeast State	# of States Reporting States Reporting Job Losses	# of States Reporting States Reporting Job Losses in NE
Total Nonfarm	NJ (11th)	1	0
Total Private	NJ (15th)	0	0
Construction	NH (5th)	16	2 (VT, RI)
Manufacturing	VT (8th)	17	3 (PA, MA, CT)
Information	ME (2nd)	22	5 (PA, NY, NH, RI, NJ)
Financial Activities	RI (5th)	6	2 (CT, ME)
Trade, Transportation, Utilities	NY 21st)	2	2 (NH, PA)
Leisure and Hospitality	NH (11th)	2	0
Education and Health Services	CT (11th)	6	2 (RI, ME)
Professional and Business Services	ME (12th)	3	0
Government	VT (3rd)	25	4 (NY, PA, ME, NH)

Notes:

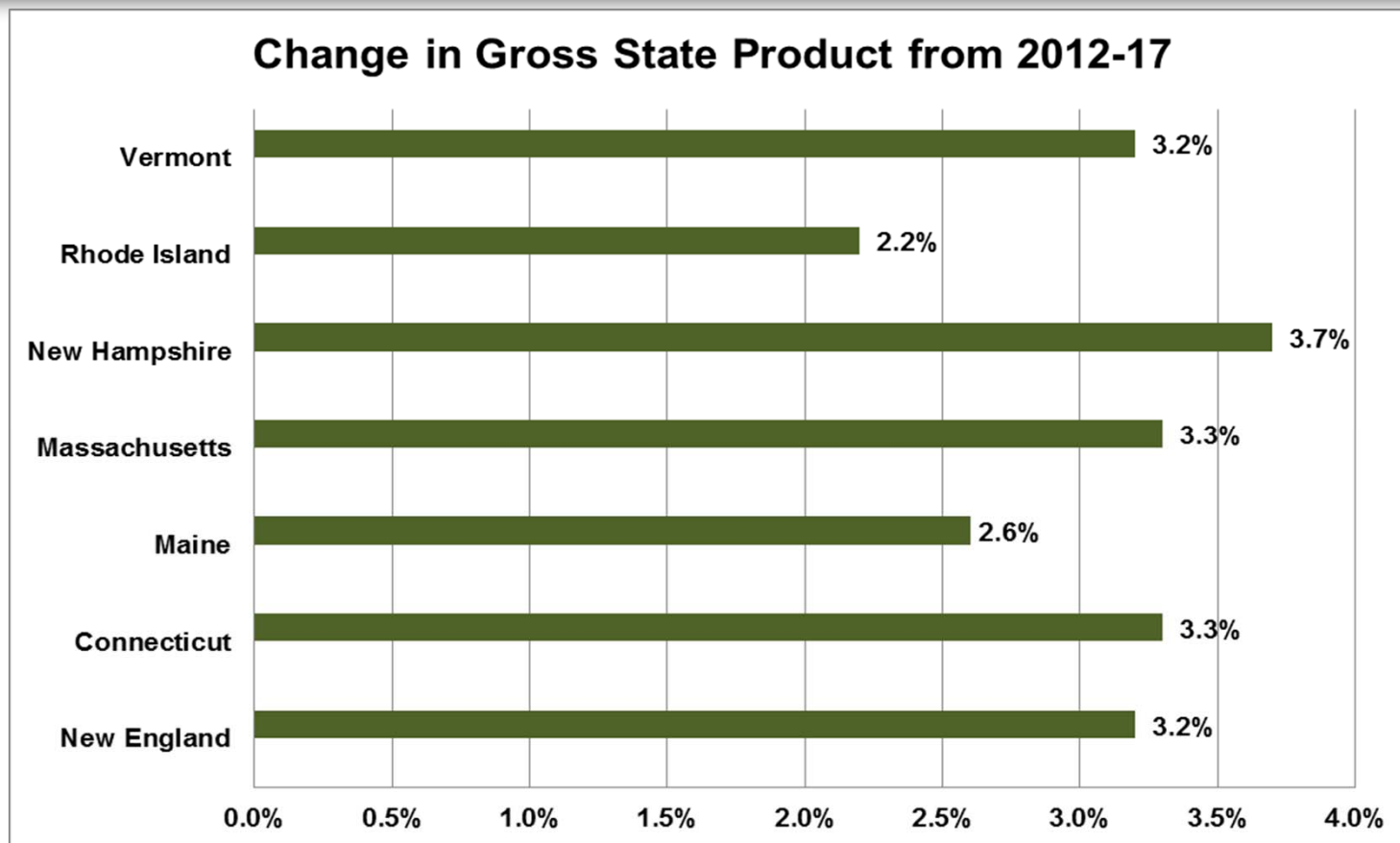
NAICS means North American Industry Classification System

Source: U.S. Bureau of Labor Statistics

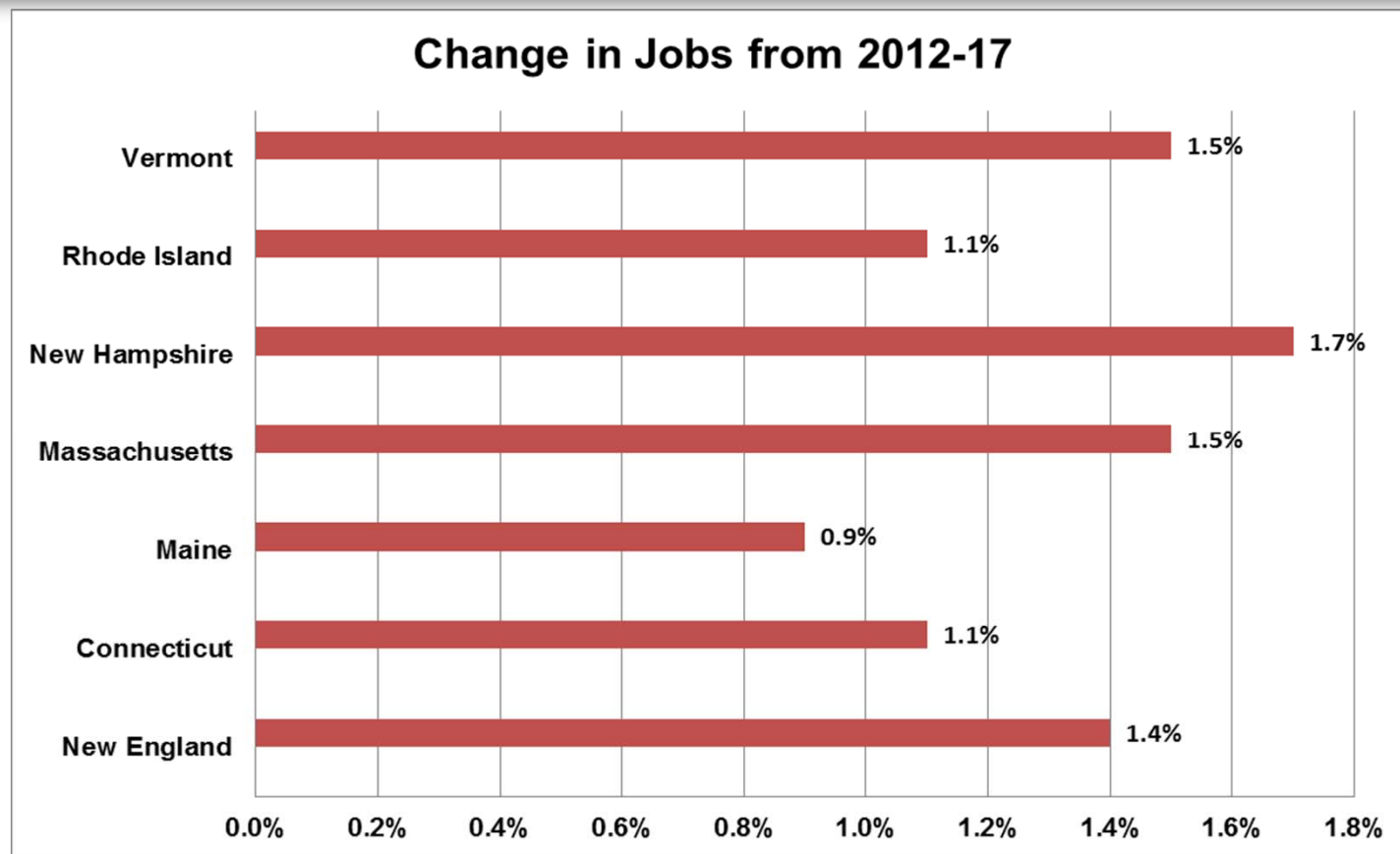


A Look at the NE-VT Outlook

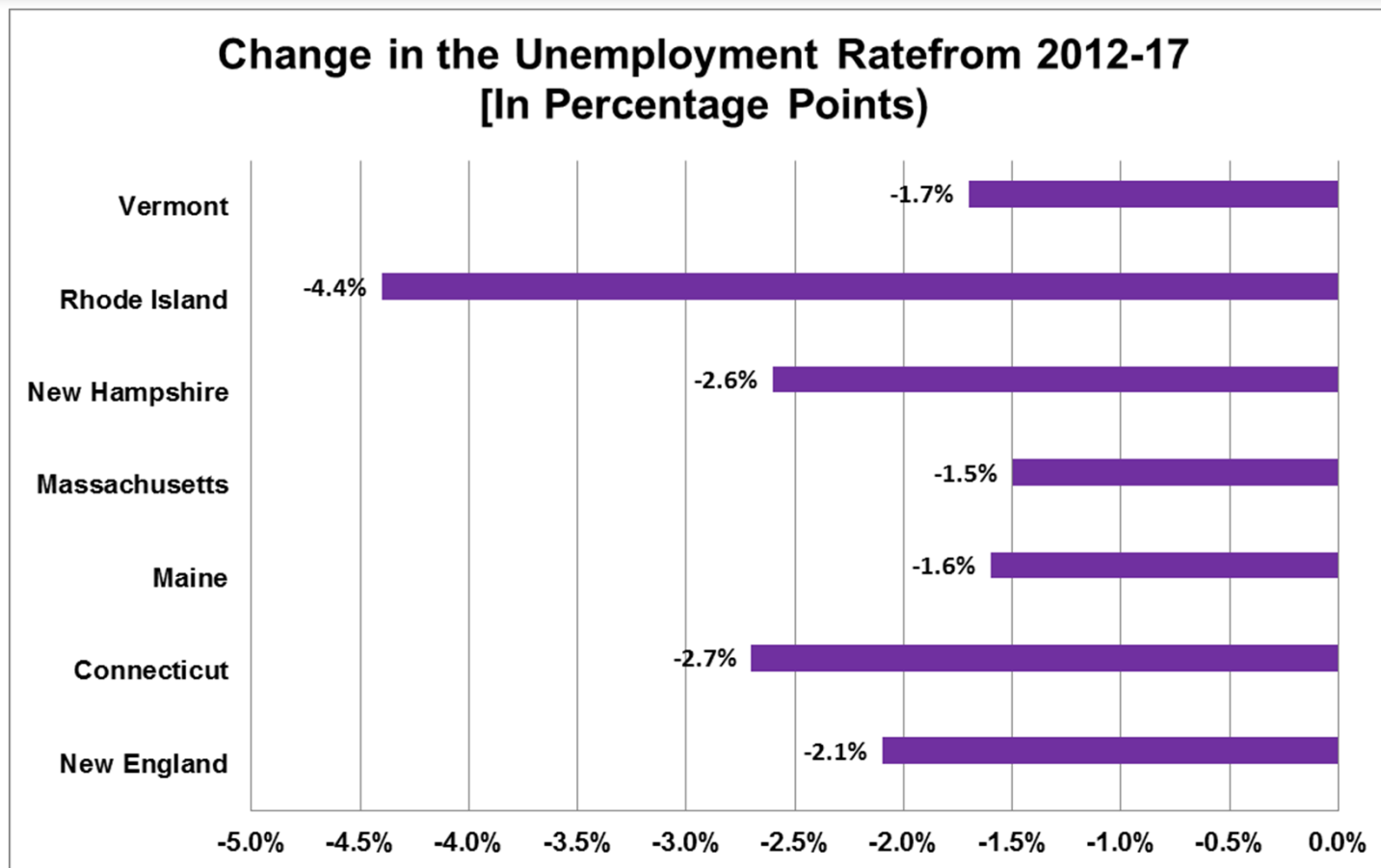
Some Pick-up Within 6 Months...



A Look at the NE-VT Outlook With Improving Labor Markets...



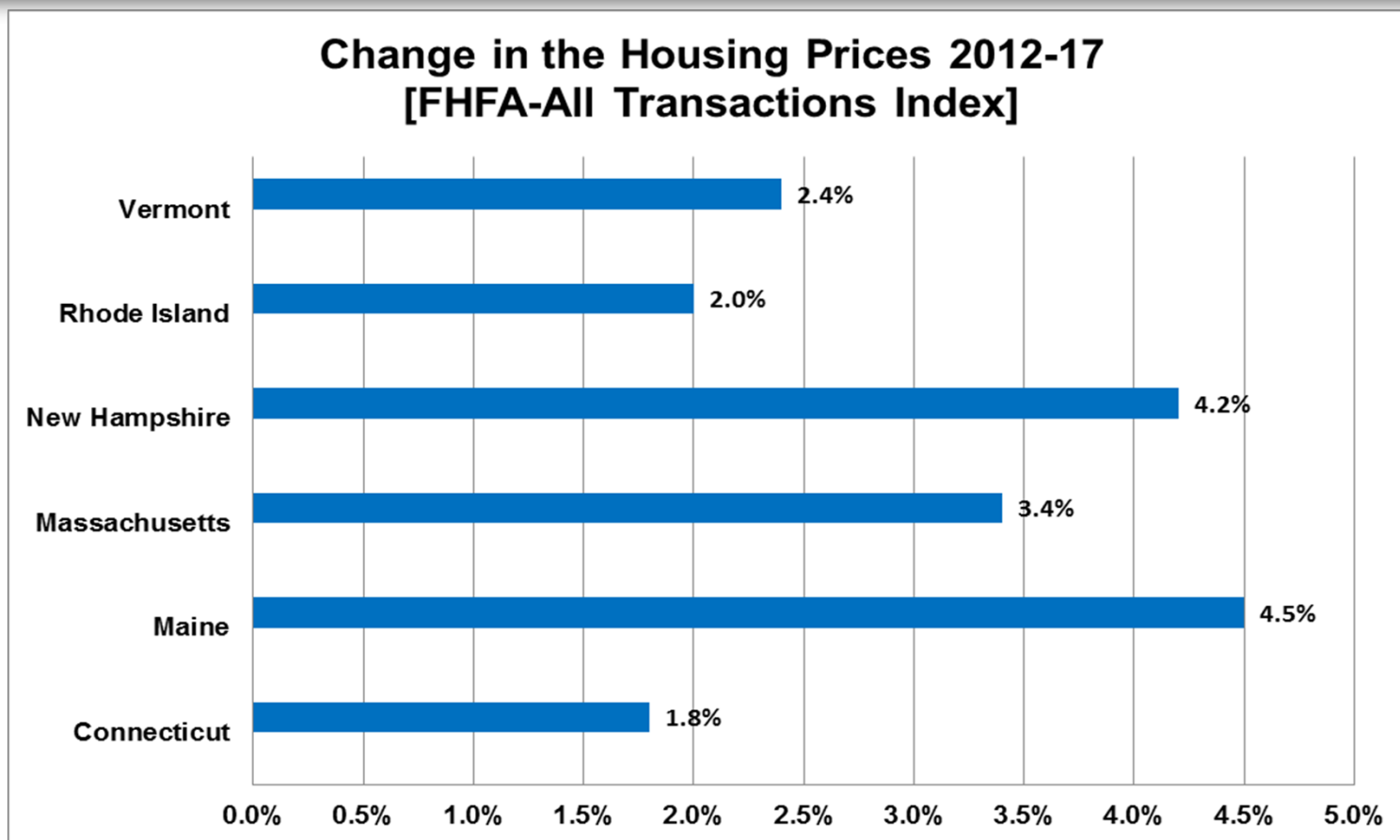
A Look at the NE-VT Outlook ...and Declining Unemployment...



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A Look at the NE-VT Outlook ...and Improving Housing Markets...



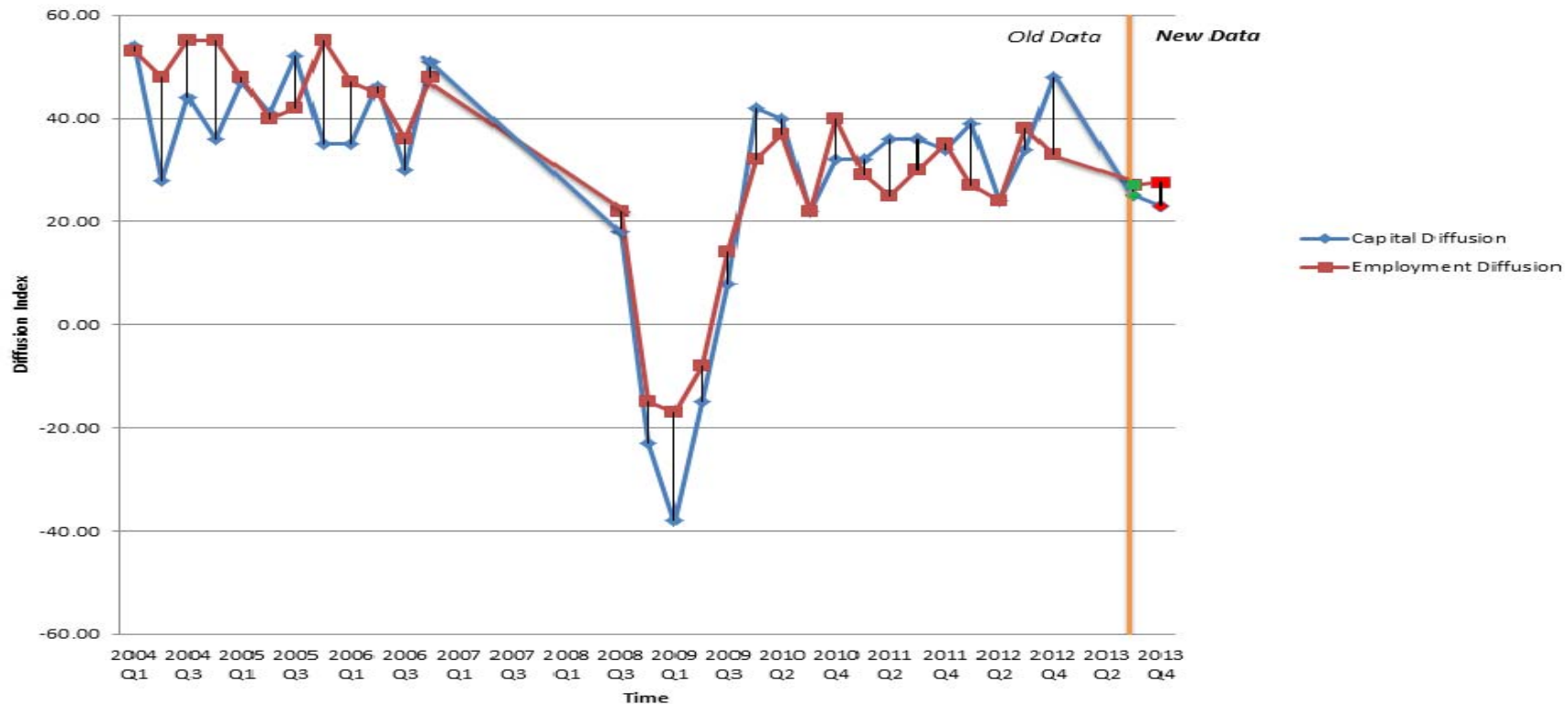
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VT Outlook by New VBR/EPR Business Conditions Survey

Diffusion Index

Note: data missing for Q1 and Q2 2008 and all 2007, and Q1/Q2 2013. Shaded area indicates December 2007 to June 2009 recession.



N.E. Outlook by the Numbers

A Long, Hard Slog to Full Recovery...

Forecast Comparison: United States, New England, and Vermont (May 2013 NEEP Forecast) [1]

	-----Actual-----					-----Forecast-----				
	2008	2009	2010	2011 [2]	2012 [2]	2013	2014	2015	2016	2017
Real Output (\$2000-% Change)										
U.S. Gross Domestic Product	-0.3	-3.1	2.4	1.8	2.2	2.0	3.8	4.4	3.6	2.9
N.E. Gross Domestic Product	-0.8	-3.2	3.5	1.8	1.9	2.2	3.4	4.2	3.5	2.8
Vermont Gross State Product	-0.2	-3.5	4.1	0.5	1.8	1.9	3.6	4.4	3.2	2.7
Non-Farm Payroll Jobs (% Change)										
U.S.	-0.6	-4.4	-0.7	1.2	1.7	1.3	1.8	2.6	2.3	1.4
New England	0.0	-3.6	-0.2	1.0	1.1	0.8	1.1	2.0	1.8	1.1
Vermont	-0.4	-3.3	0.2	0.7	1.2	0.8	1.3	2.3	1.9	1.2
Inflation-Adjusted Personal Income										
%Change (2000 Dollars)										
U.S.	1.3	0.2	-0.3	-1.8	-0.8	-0.1	1.2	2.0	1.2	0.8
New England	0.3	-4.4	2.0	2.3	1.1	1.1	4.0	4.6	4.1	2.9
Vermont	1.1	-2.2	1.4	2.2	2.3	0.4	1.5	2.3	1.8	0.6
Unemployment (Percent)										
U.S.	5.8	9.3	9.6	8.9	8.1	7.7	7.0	6.2	5.8	5.4
New England	5.4	8.1	8.5	7.8	7.2	6.8	6.2	5.8	5.4	5.1
Vermont	4.6	6.9	6.4	5.6	5.0	4.7	4.3	3.9	3.6	3.4
FHFA Housing Price Index [3]										
U.S.	-4.7	-5.2	-3.8	-3.6	-0.2	1.3	4.3	4.7	2.8	1.8
New England	-4.1	-4.8	-2.6	-2.2	-0.9	0.0	2.9	3.9	4.5	4.5
Vermont	0.0	-1.9	-1.0	-0.5	0.5	1.2	1.7	2.0	3.3	3.6

Notes:

[1] U.S. data reflect the Moody's Analytics Baseline Forecast for March 2013.

[2] 2011 and 2012 variables are subject to further revision, and 2013 through 2017 values in this table reflect projected data as of March 2013.

[3] FHFA refers to the Federal Housing Finance Agency (formerly the Office of Federal Housing and Enterprise Oversight).

Sources: Moody's Analytics (U.S.), New England Economic Partnership Forecast May 2013 Update (U.S., New England, Vermont)

