Clear Skies Ahead for the US Recovery?

Boston Alliance for Economic Inclusion

June 13, 2013

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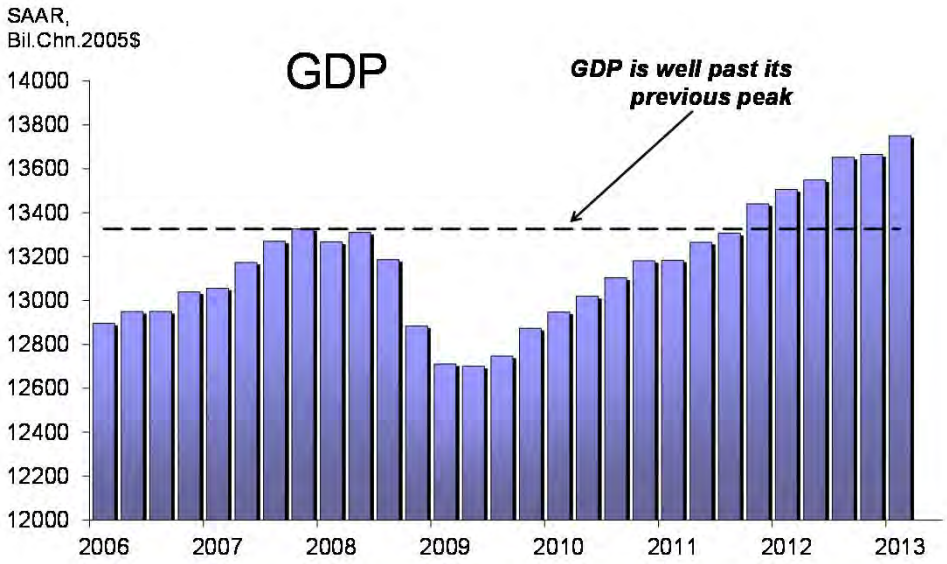
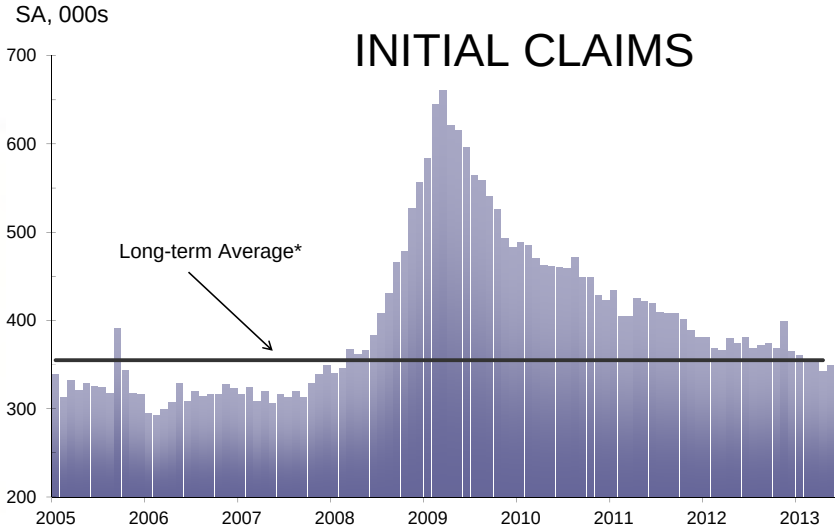
FDIC

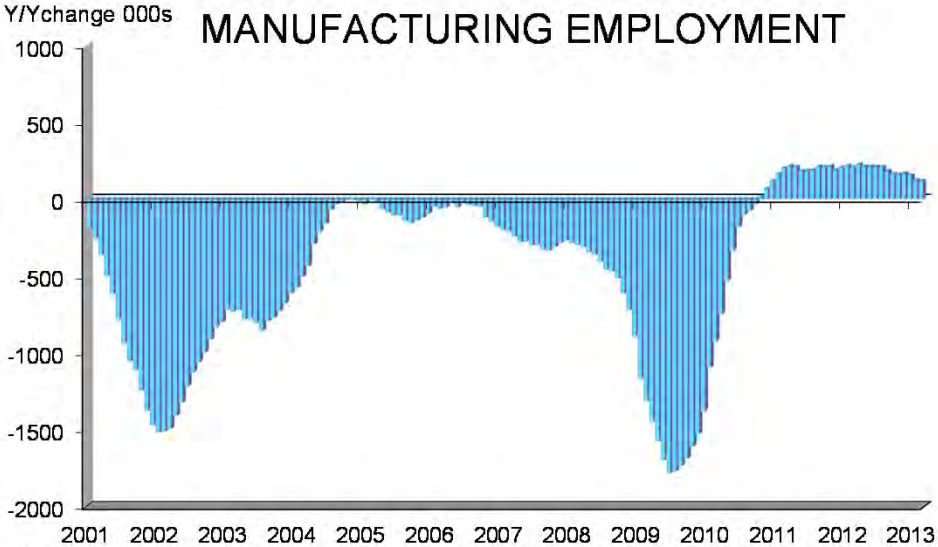
- *Major Economic Indicators*
- *Fiscal Constraints*
- *External Risks*
- *Debt & the Capital Markets*
- *Housing and Mortgage Markets*

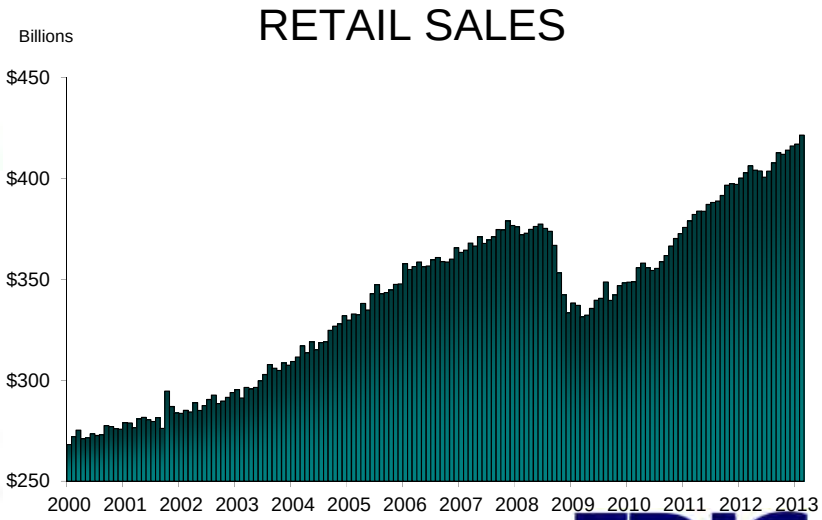
Many Indicators Point to Sustainable Recovery





* Pre-recession: Jan 1990 - Dec 2007





Sources: BEA, Dept. of Labor, BLS, Census Bureau, Haver Analytics

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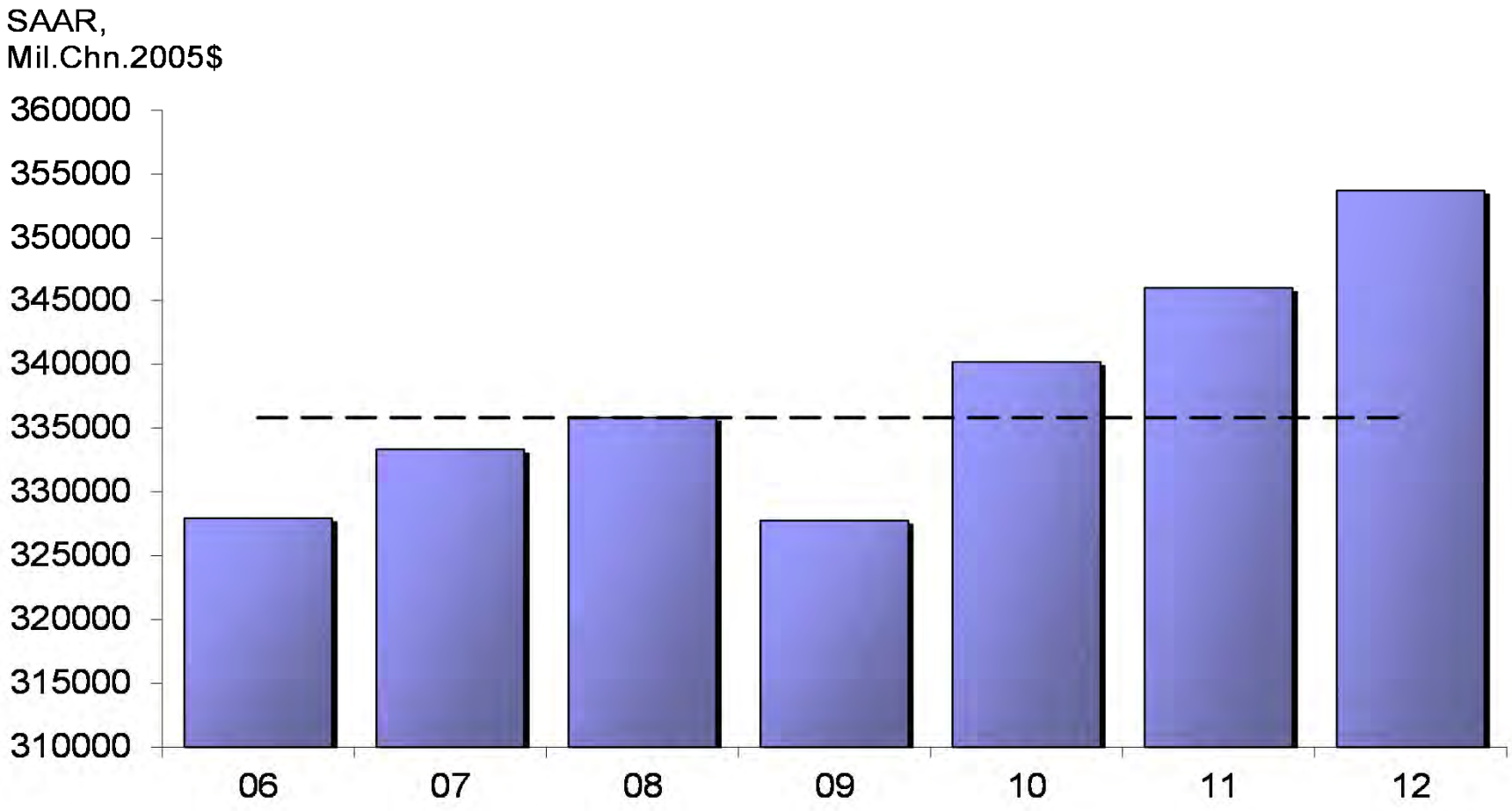
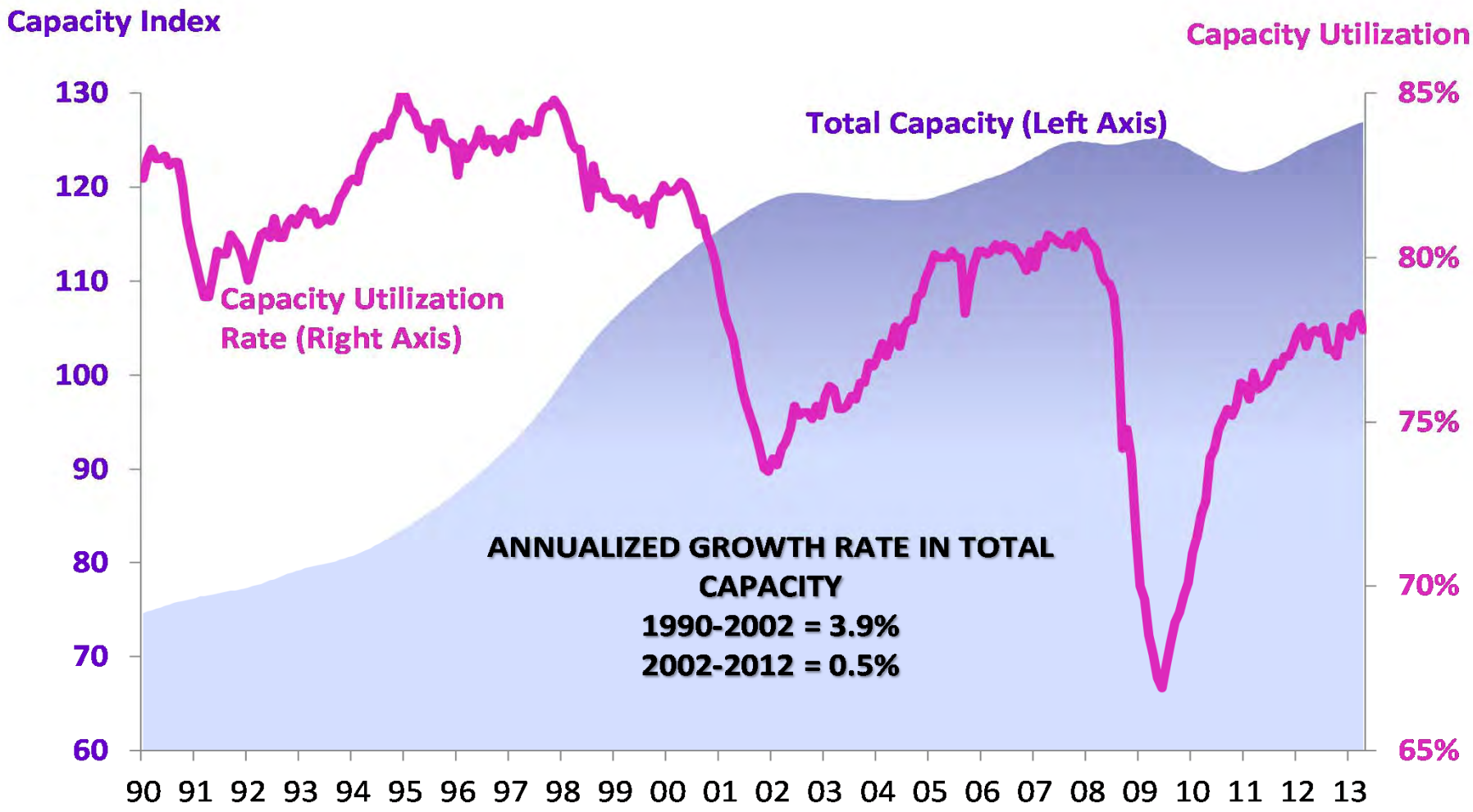
State GDP 5.3% Above Previous Peak at Yearend…U.S. 2.9%



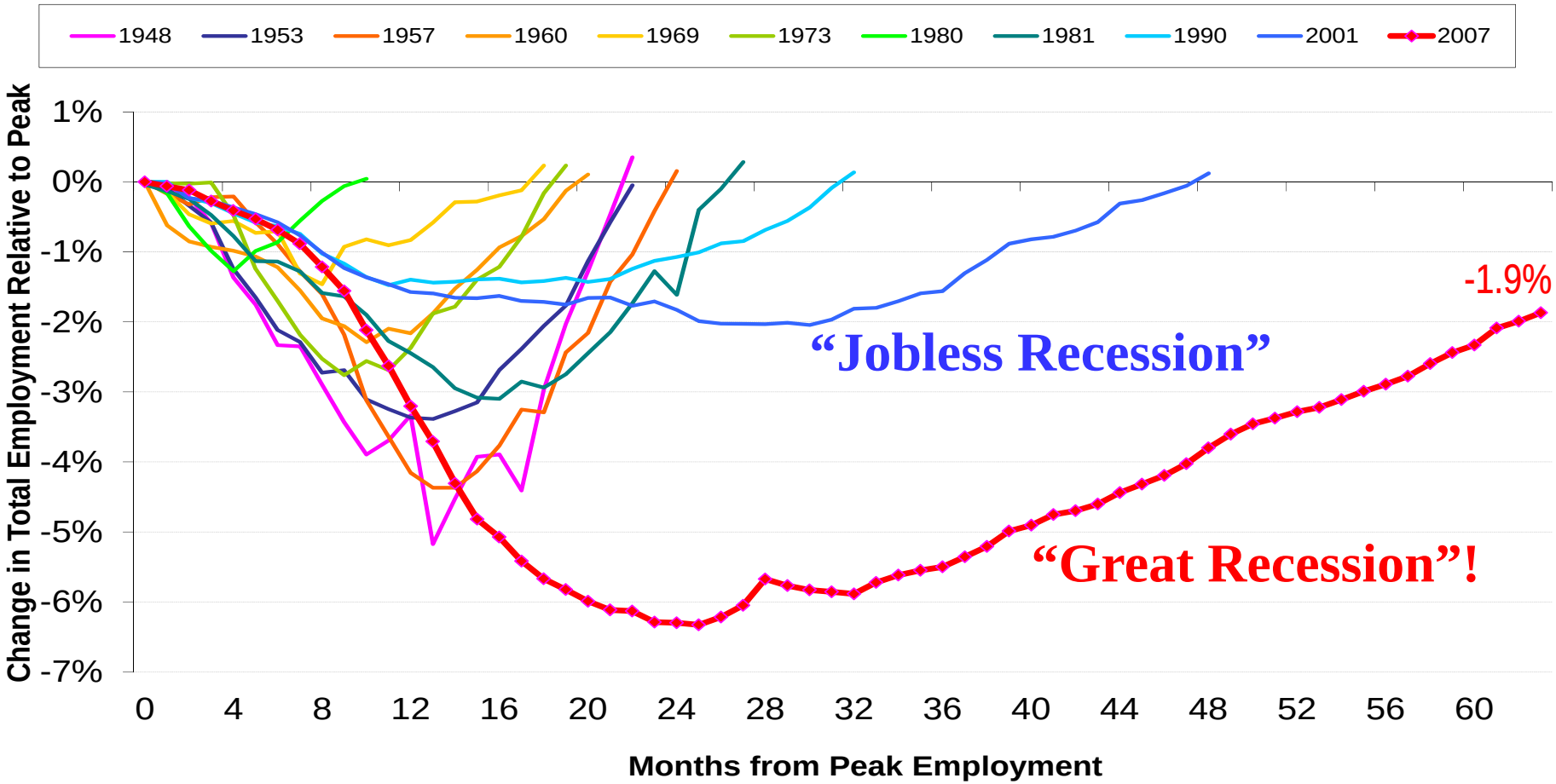
Sources: BEA, Haver Analytics

Slower Trend Growth Could Be the New Normal



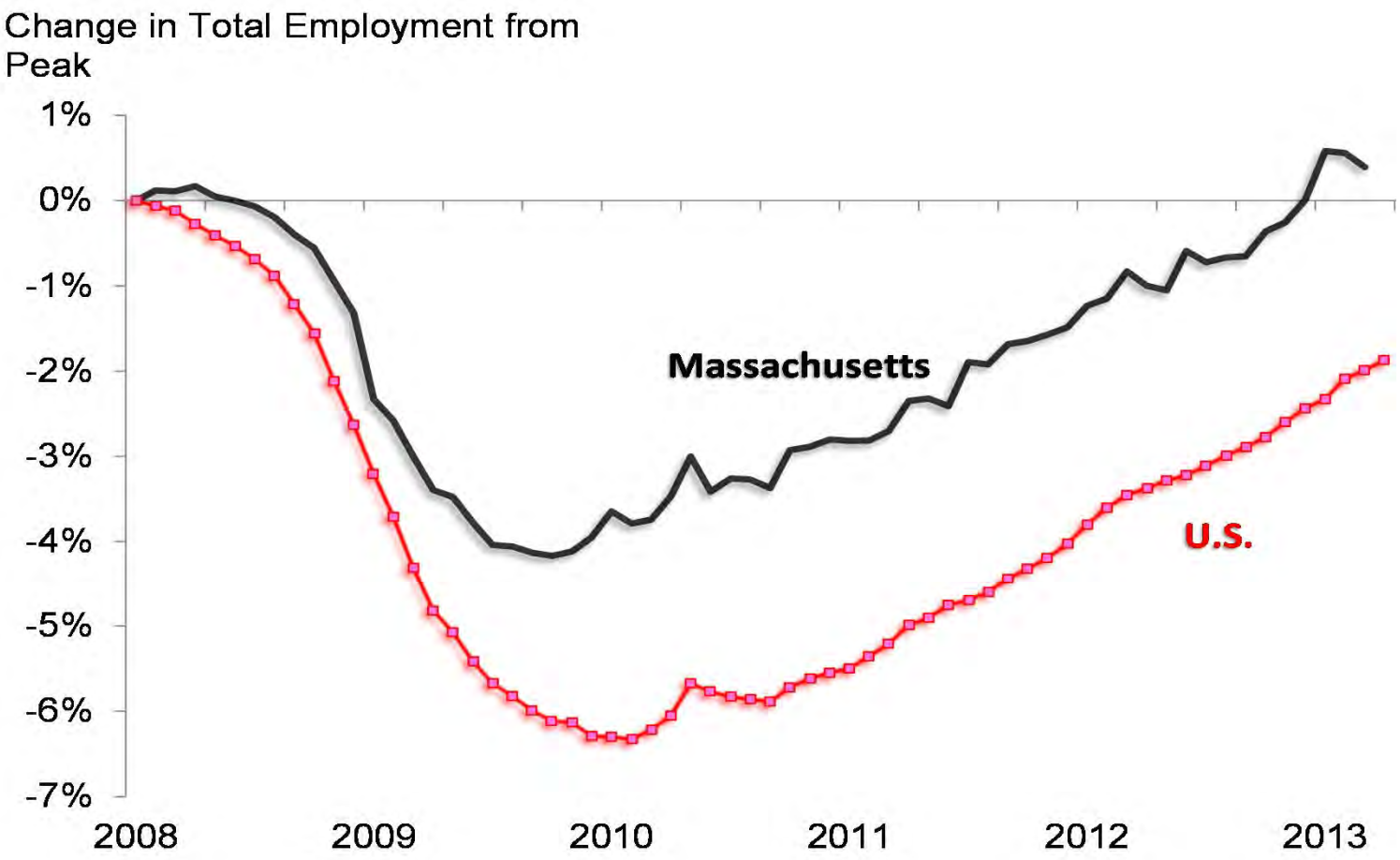
Sources: Federal Reserve Board, Haver Analytics

Over Three Years of Steady Job Growth and Still Almost 2% Below Peak Levels



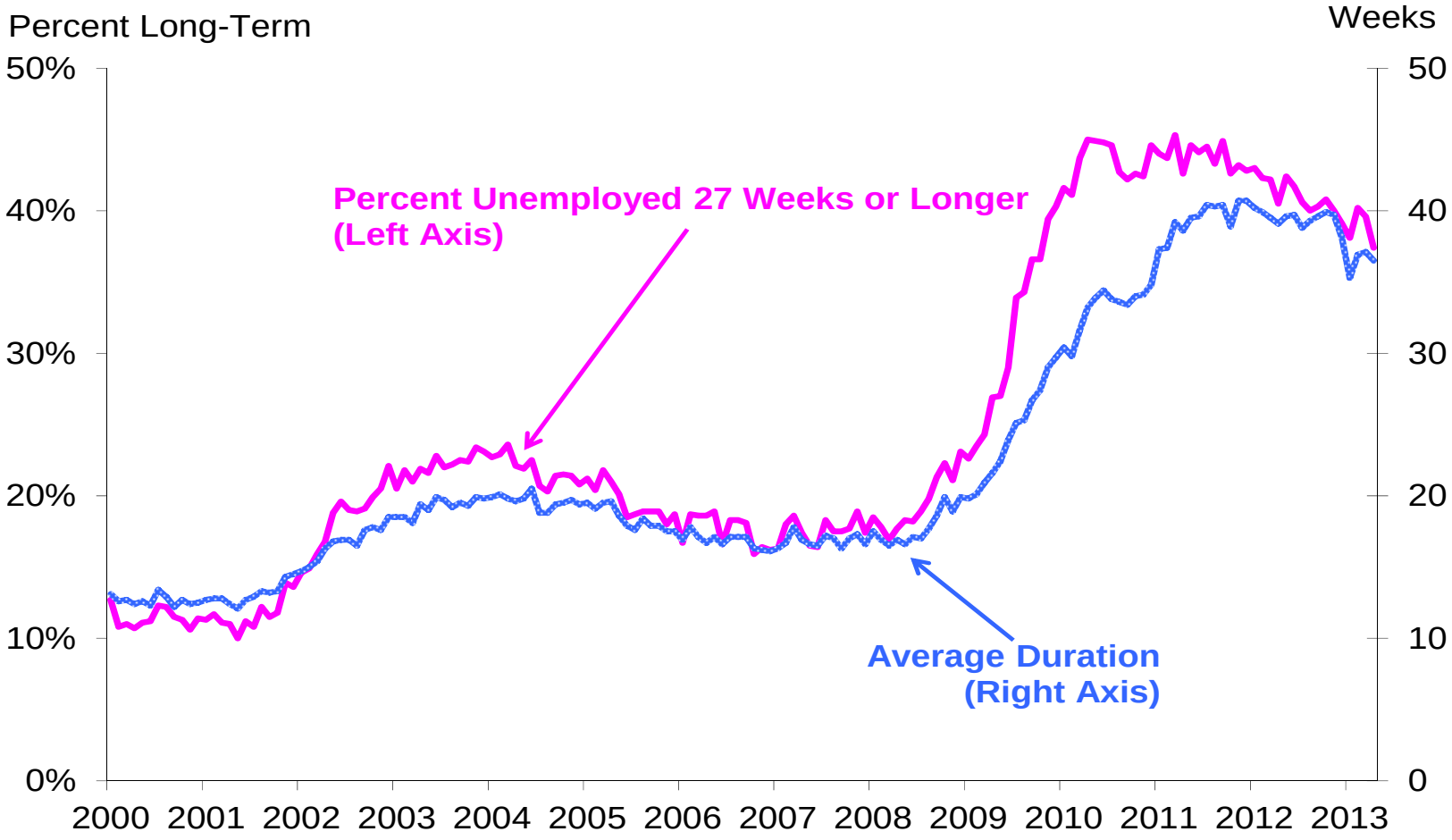
Sources: BLS, Haver Analytics

Massachusetts Fared Far Better than the Nation in This Cycle



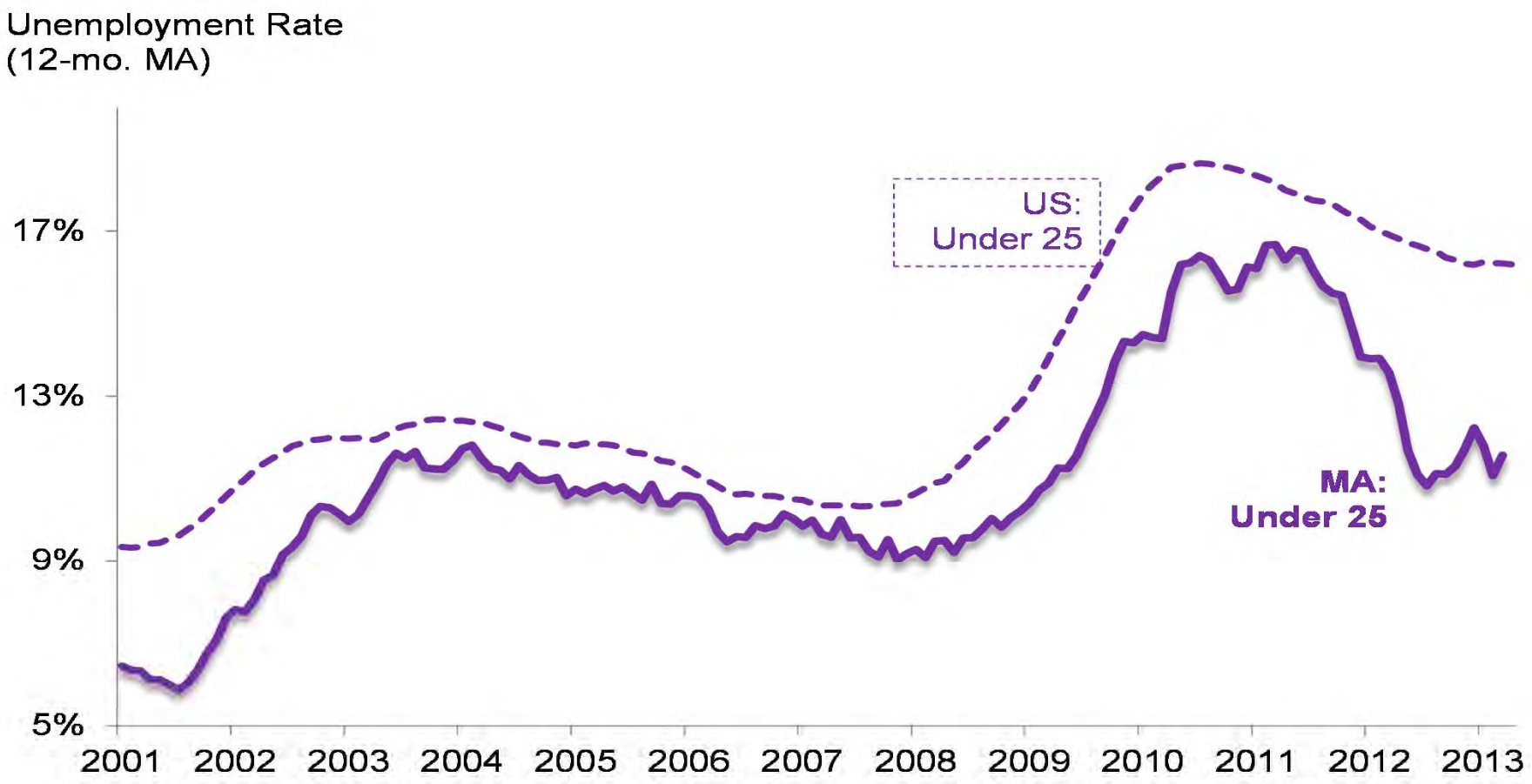
Sources: BLS, Haver Analytics:

Not Much Good News for the Long-Term Unemployed



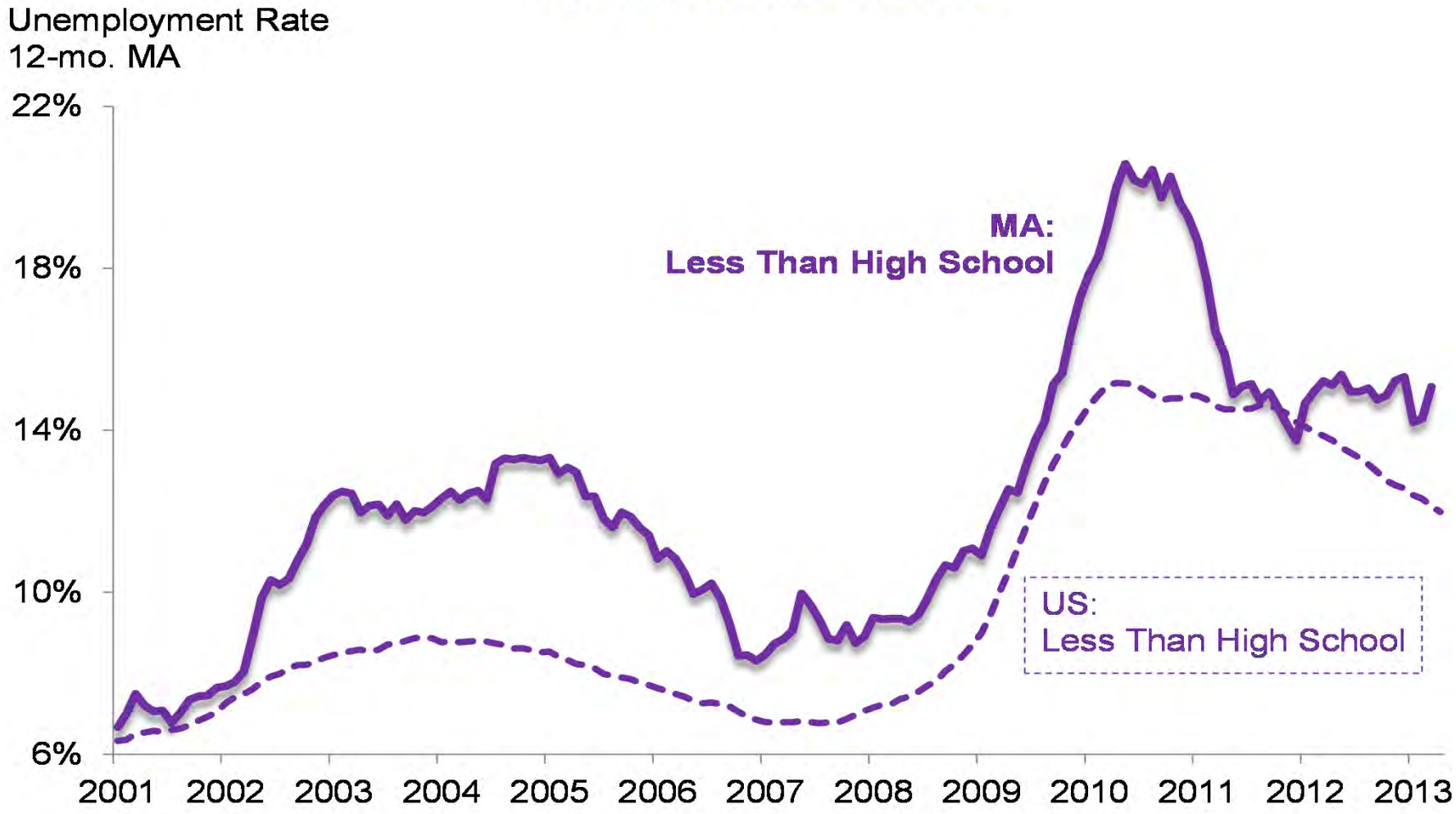
Sources: BLS, Haver Analytics

Young People Are Faring Better in Massachusetts



Sources: BLS, New England Economic Partnership

It's Tougher to Be Under-Educated in Massachusetts



Sources: BLS, New England Economic Partnership

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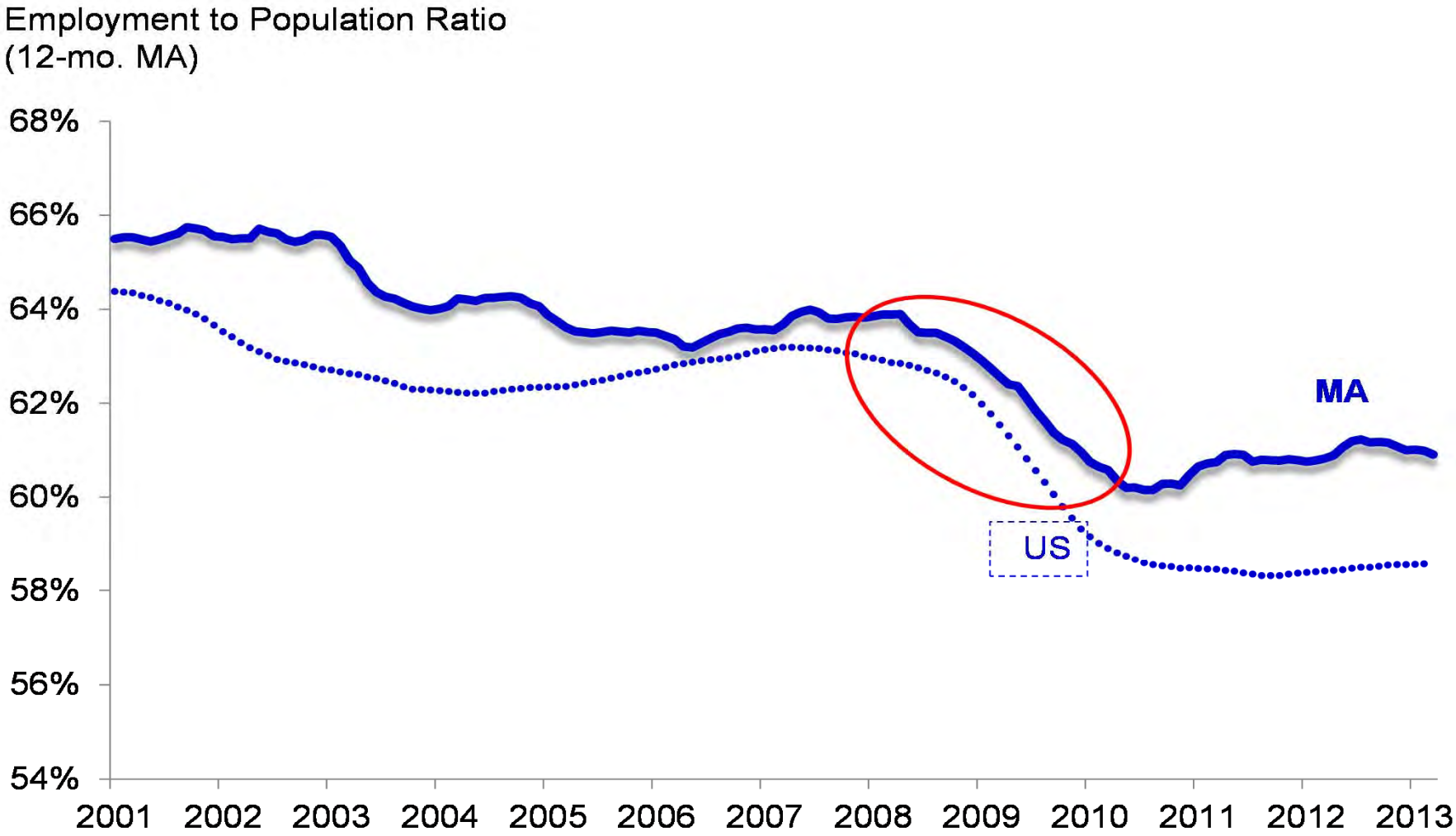
Unclear Whether This Downshift Is Cyclical or Permanent



Sources: BLS, New England Economic Partnership

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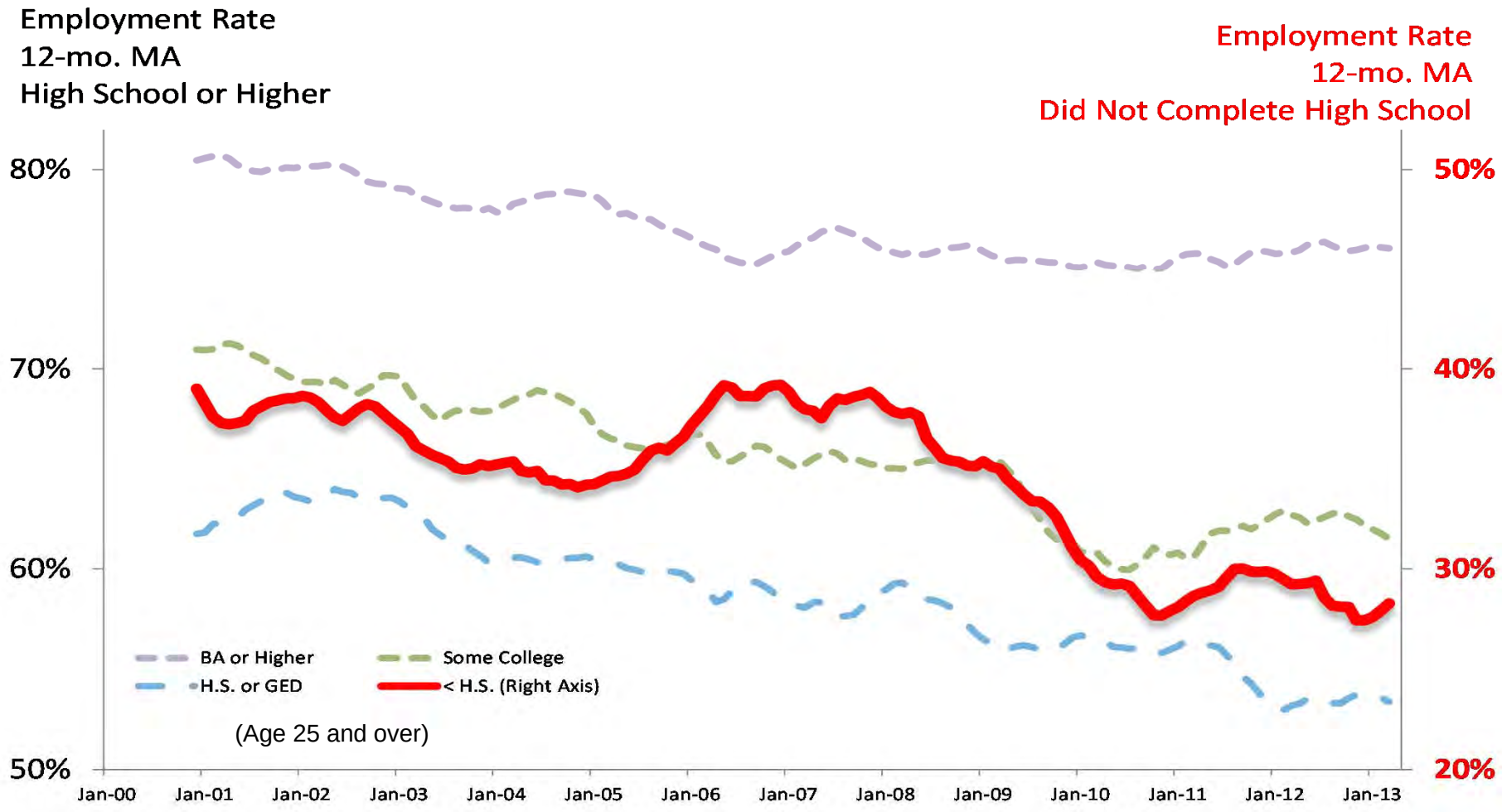
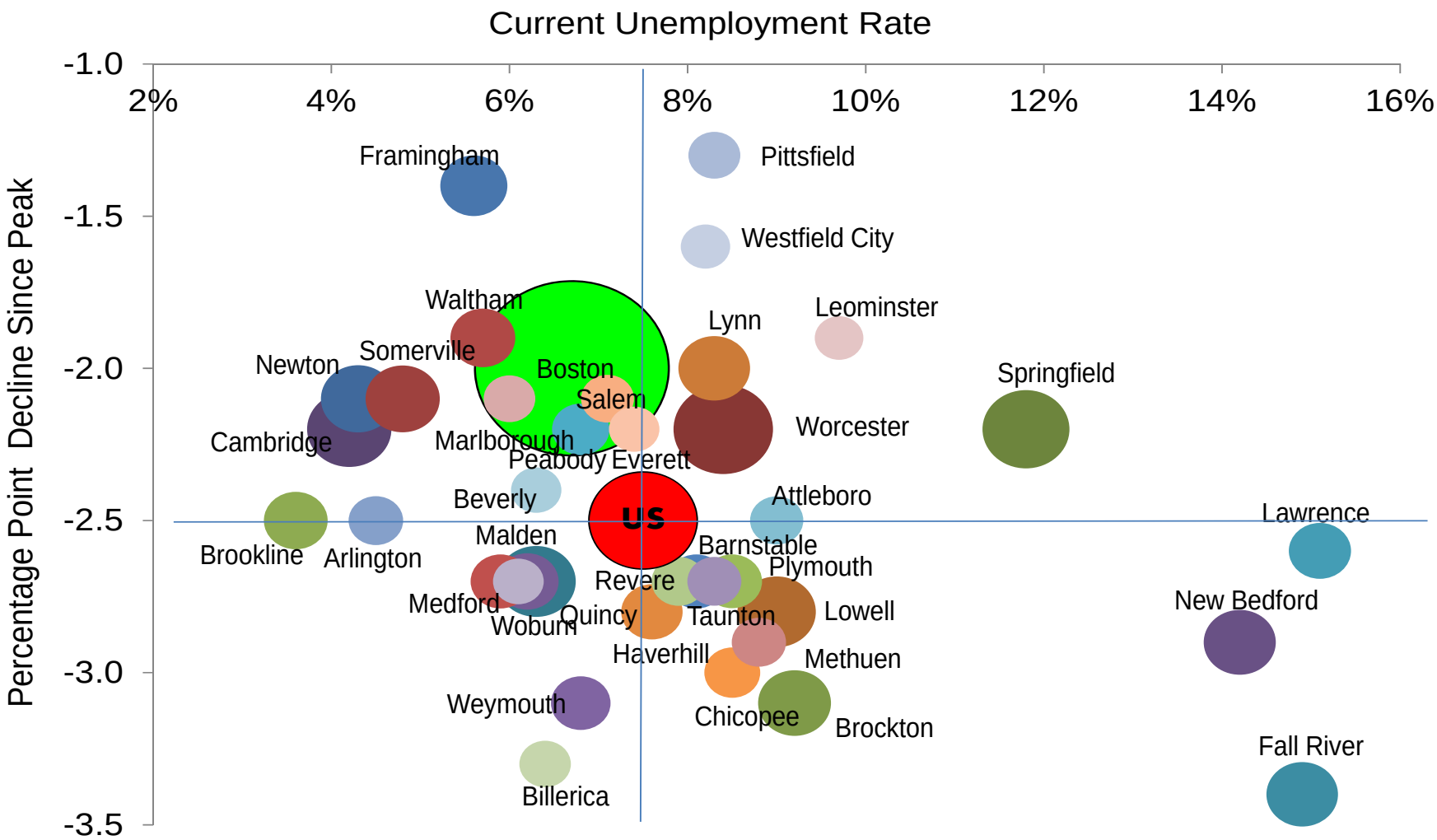
In Massachusetts, Only 28% of Those Without a High School Degree Have a Job



Sources: BLS, New England Economic Partnership

Unemployment in Half of Massachusetts Larger Cities Is Lower Than US



Sources: BLS, Haver Analytics

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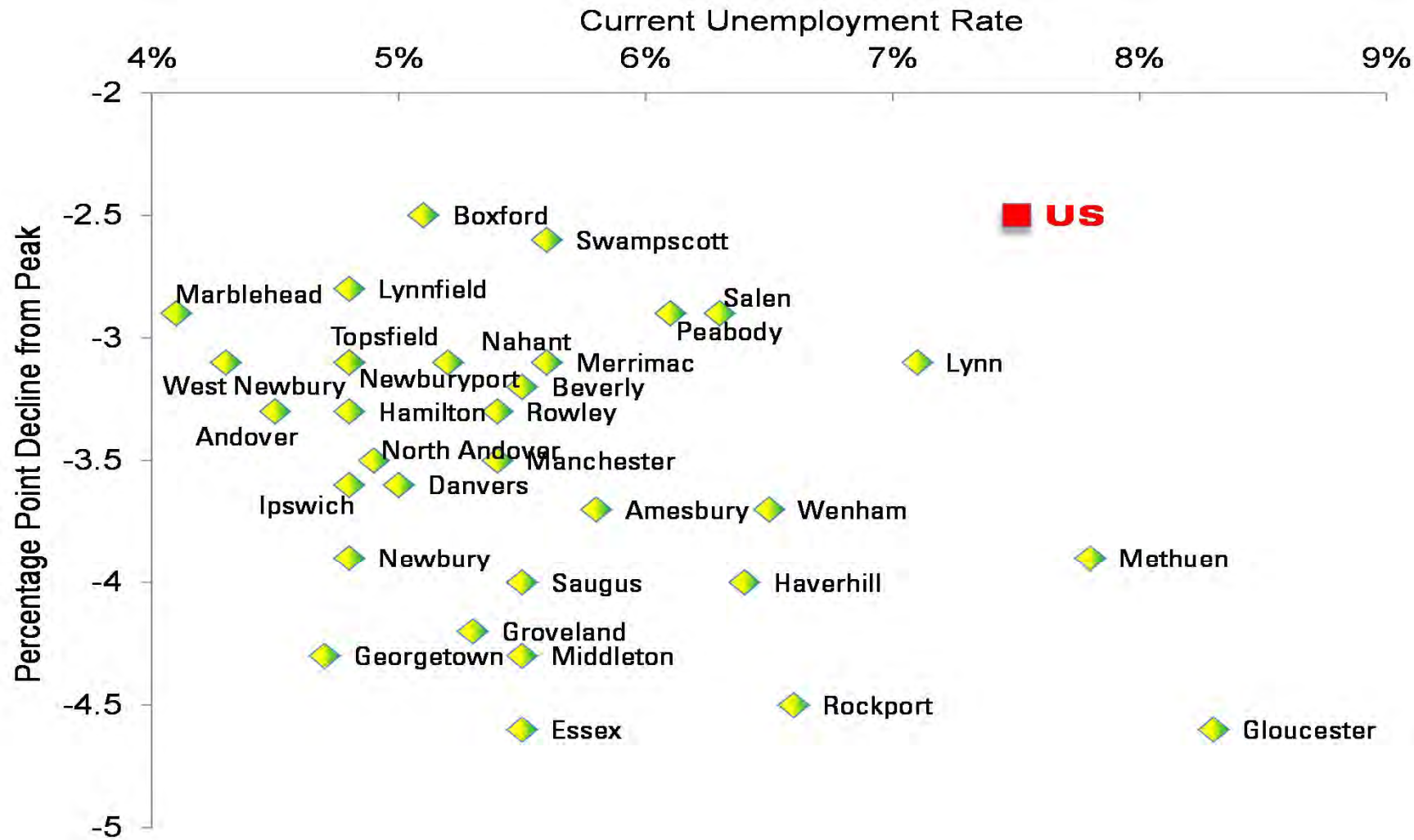
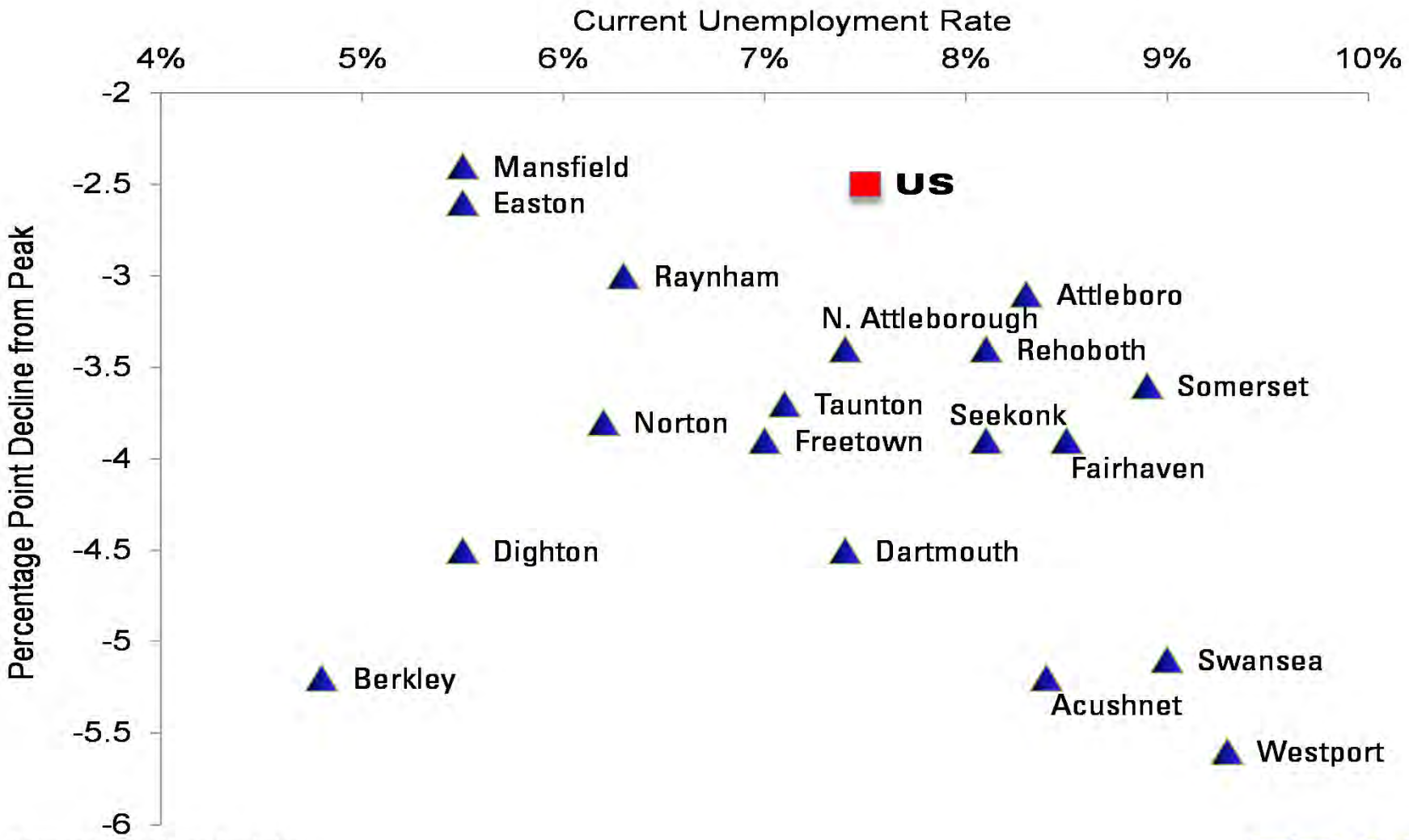
Unemployment in Essex County Averages Quite a Bit Lower Than the Nation



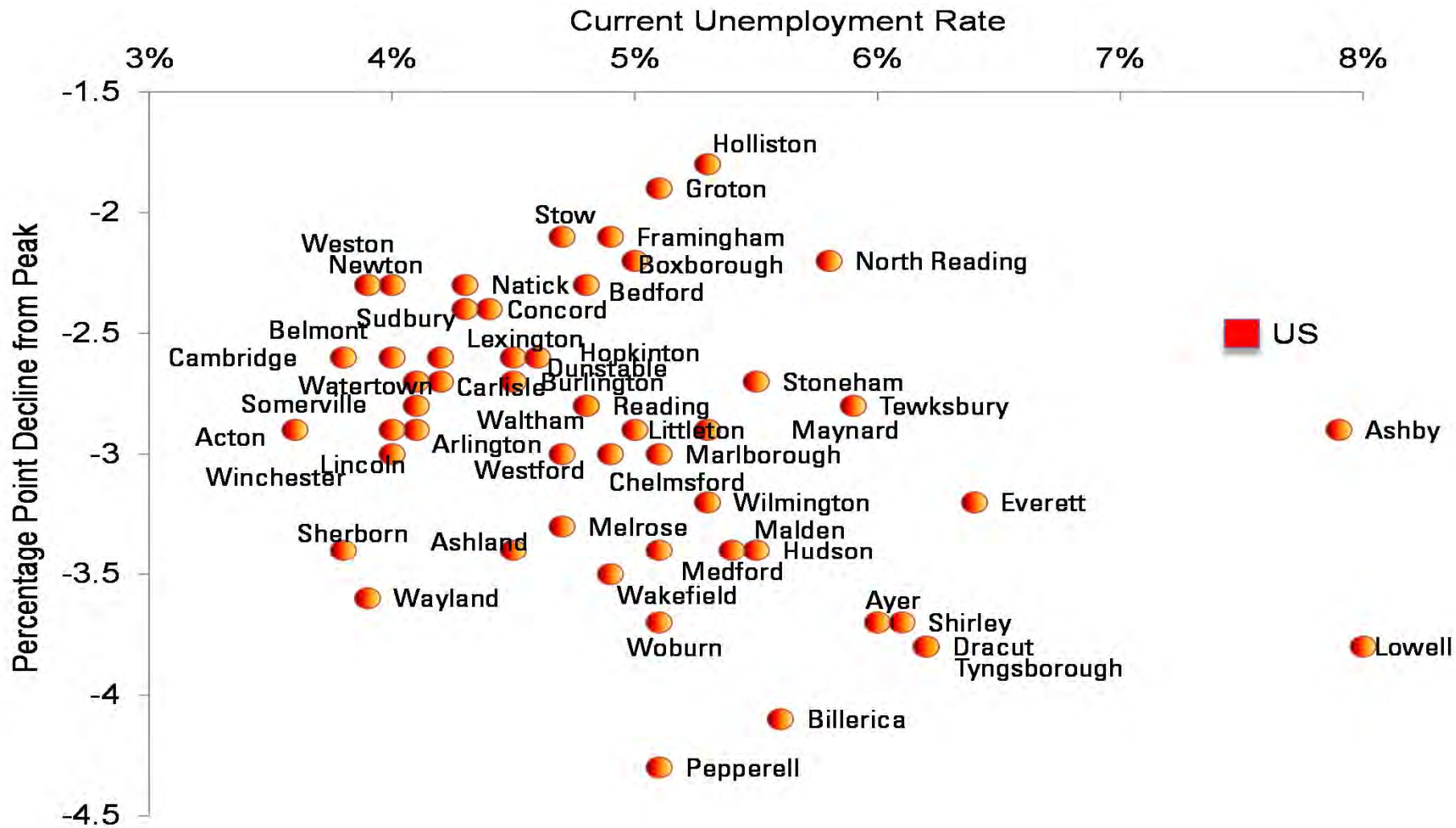
Sources: BLS, Haver Analytics

Bristol County Cities and Towns Show Improved Unemployment Rates



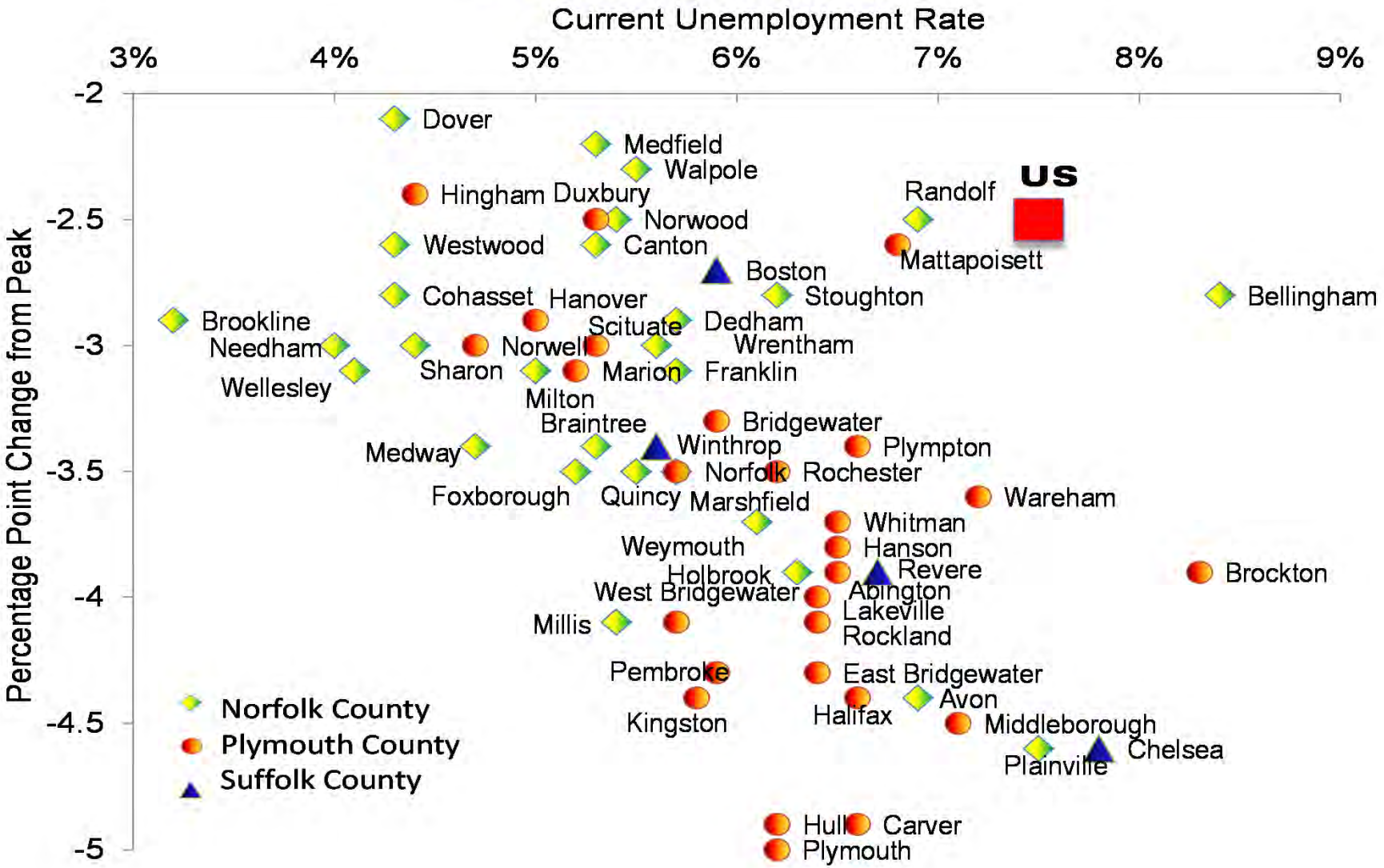
Sources: BLS, Haver Analytics

Unemployment in Middlesex Cities and Towns Average Much Lower Than the Nation



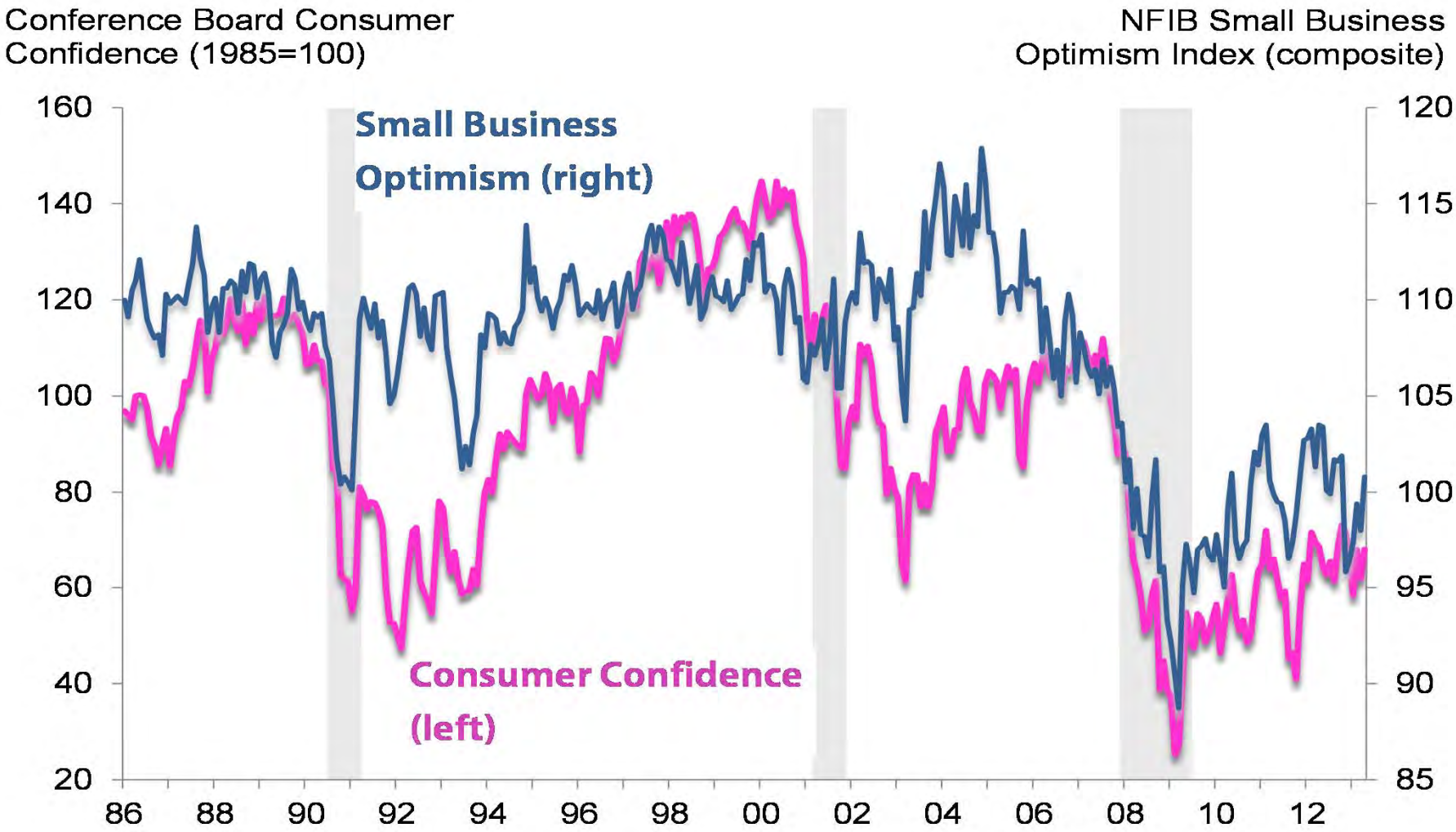
Sources: BLS, Haver Analytics

Unemployment Is Lower in the Rest of Eastern Mass



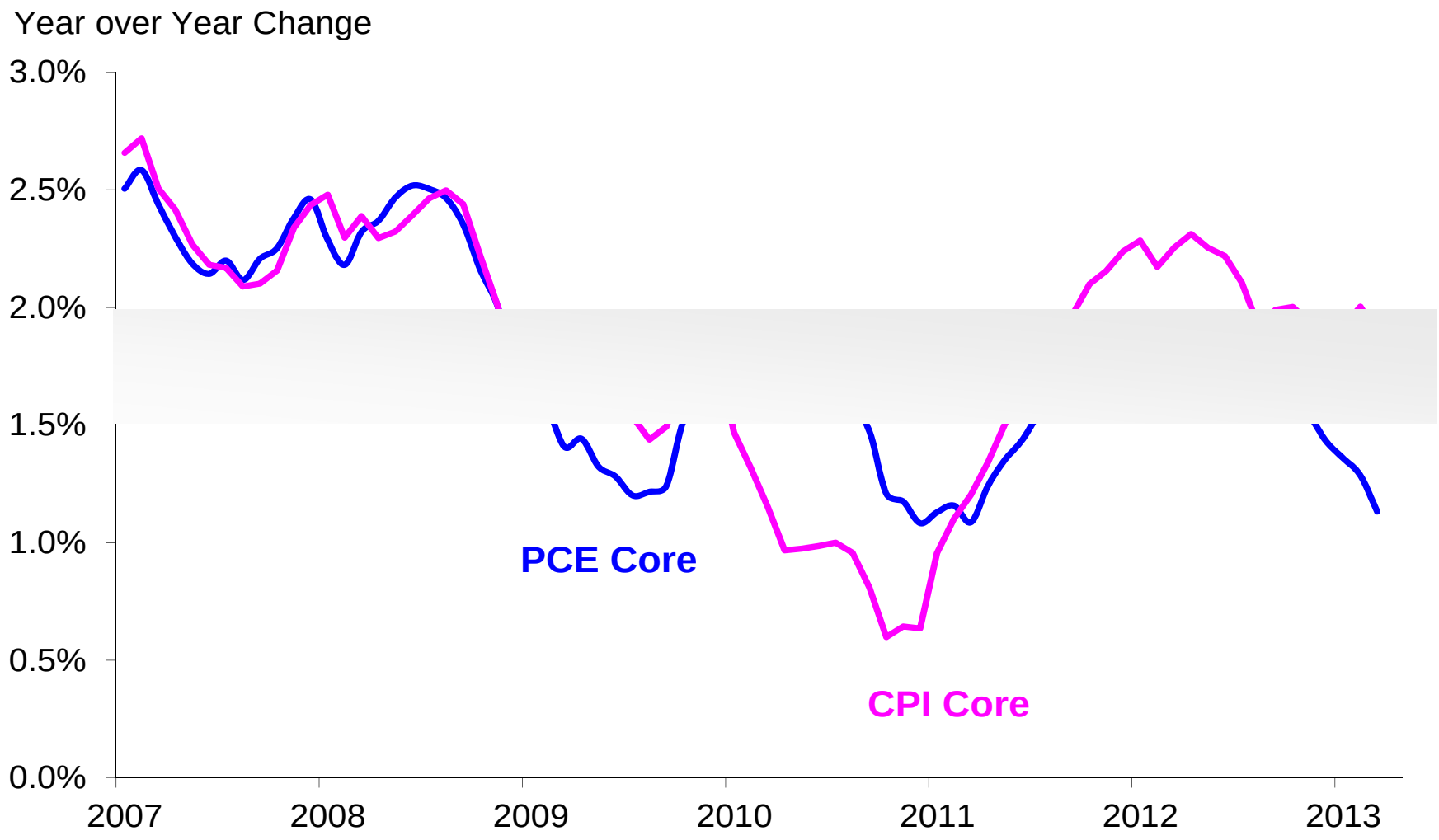
Sources: BLS, Haver Analytics

Both Confidence Indices Remain at Recessionary Levels



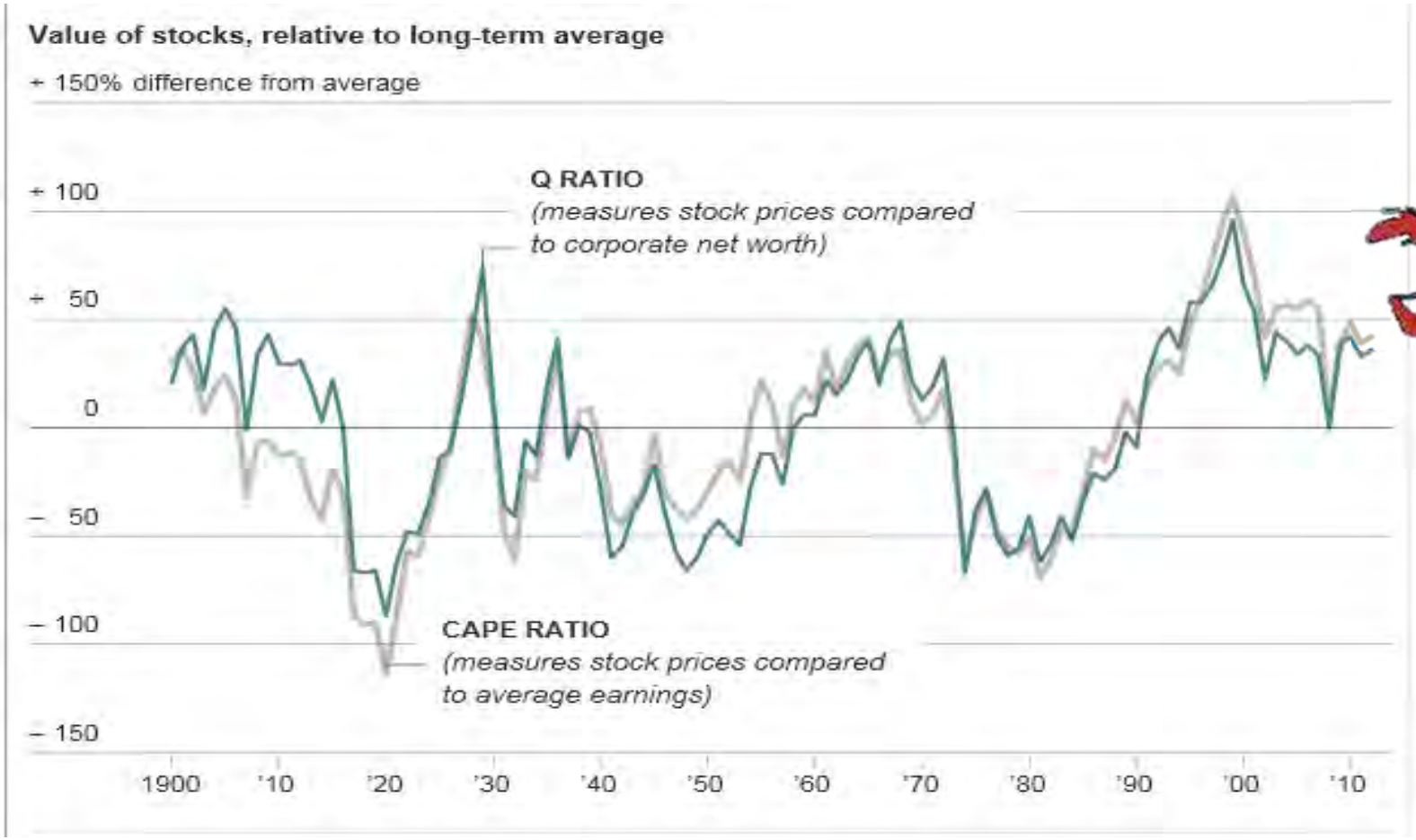
Sources: Conference Board, NFIB, NBER, Haver Analytics

Fed's Key Indicator of Inflation is Falling and is Now Below Target Range



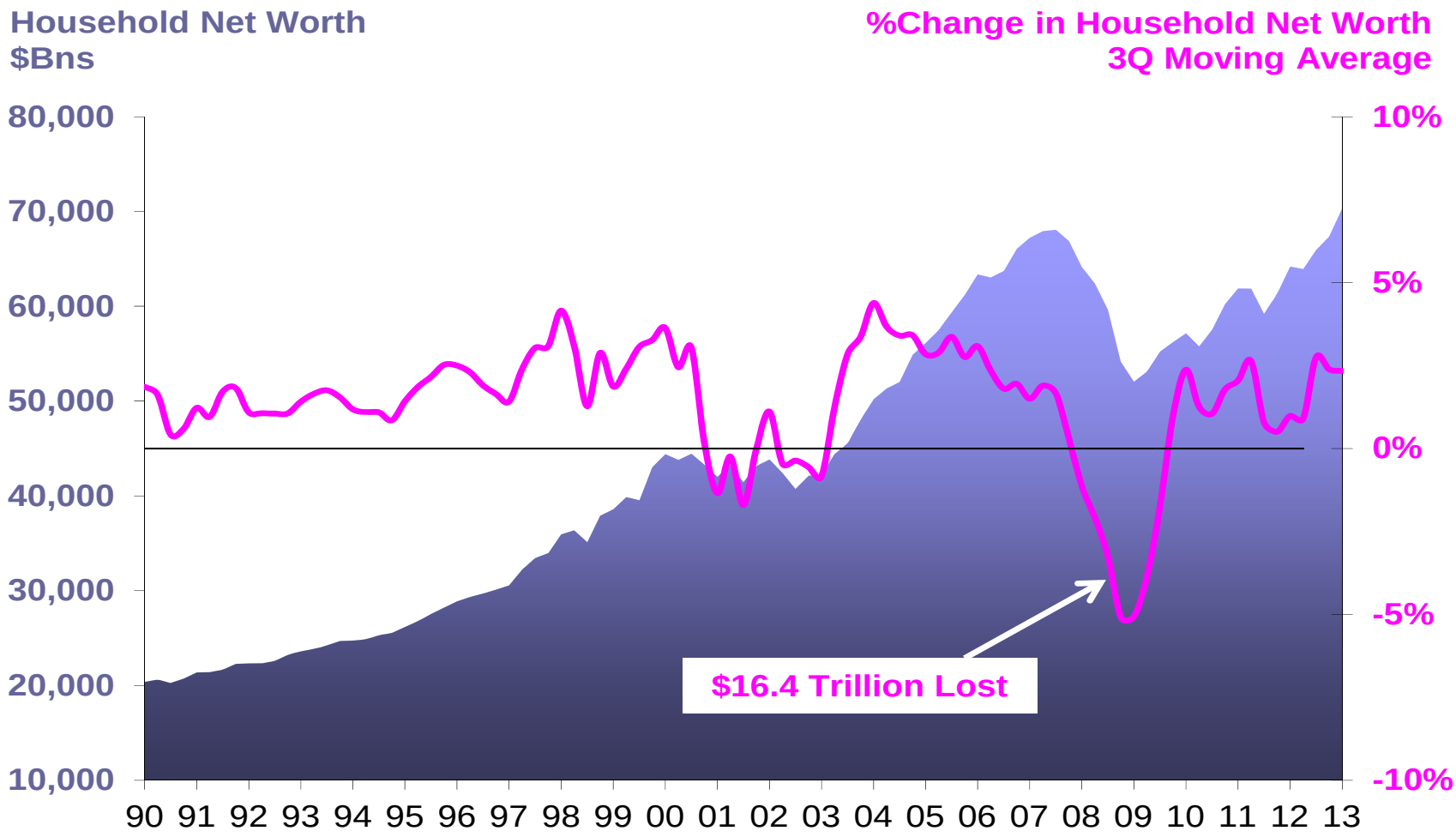
Sources: BLS, Haver Analytics

But the Possibility of Asset Bubbles Cannot Be Discounted



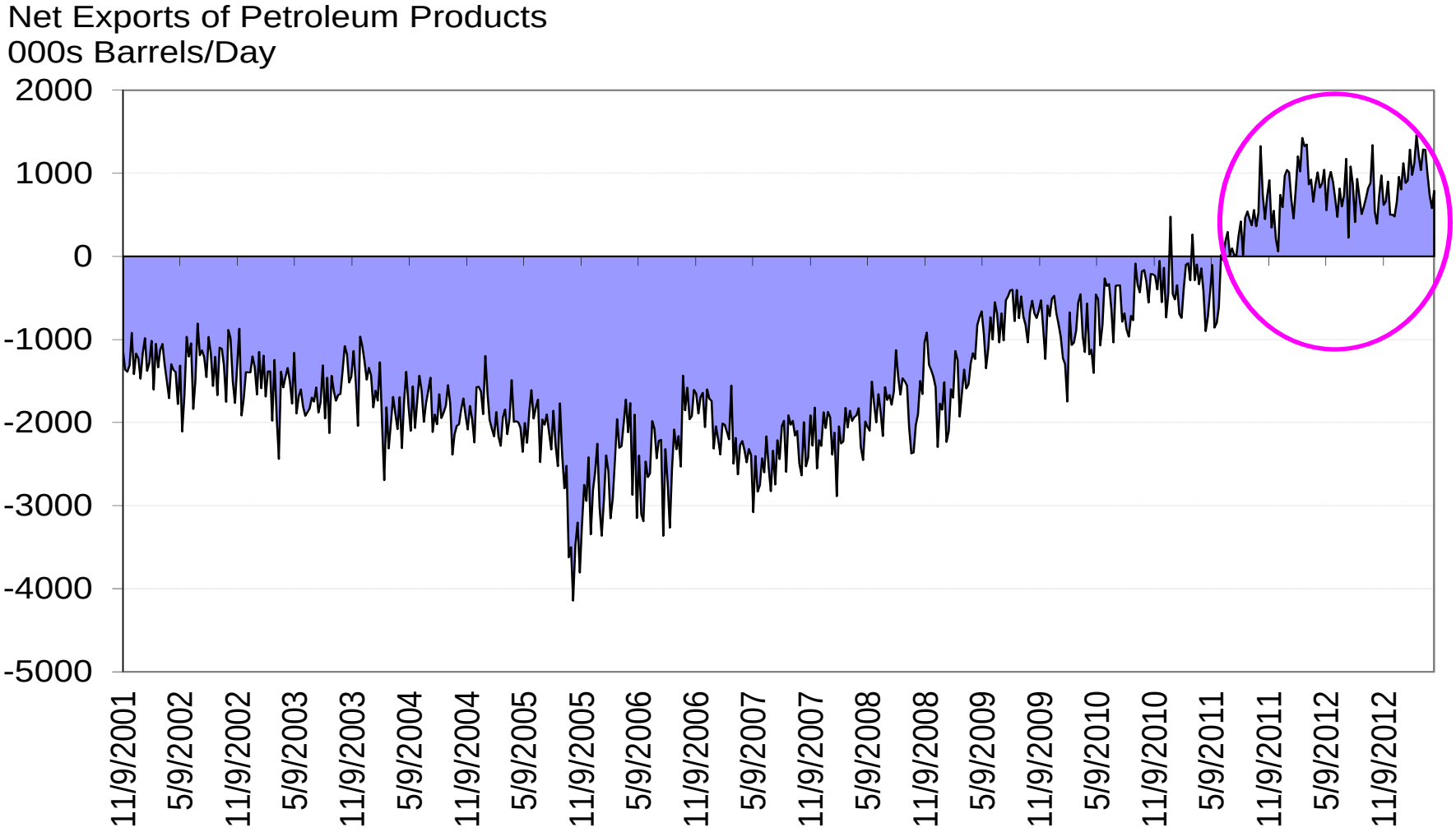
Sources: Smithers, New York Times,4/17/13

Wealth Effects Were Severe But Are No Longer an Economic Drag



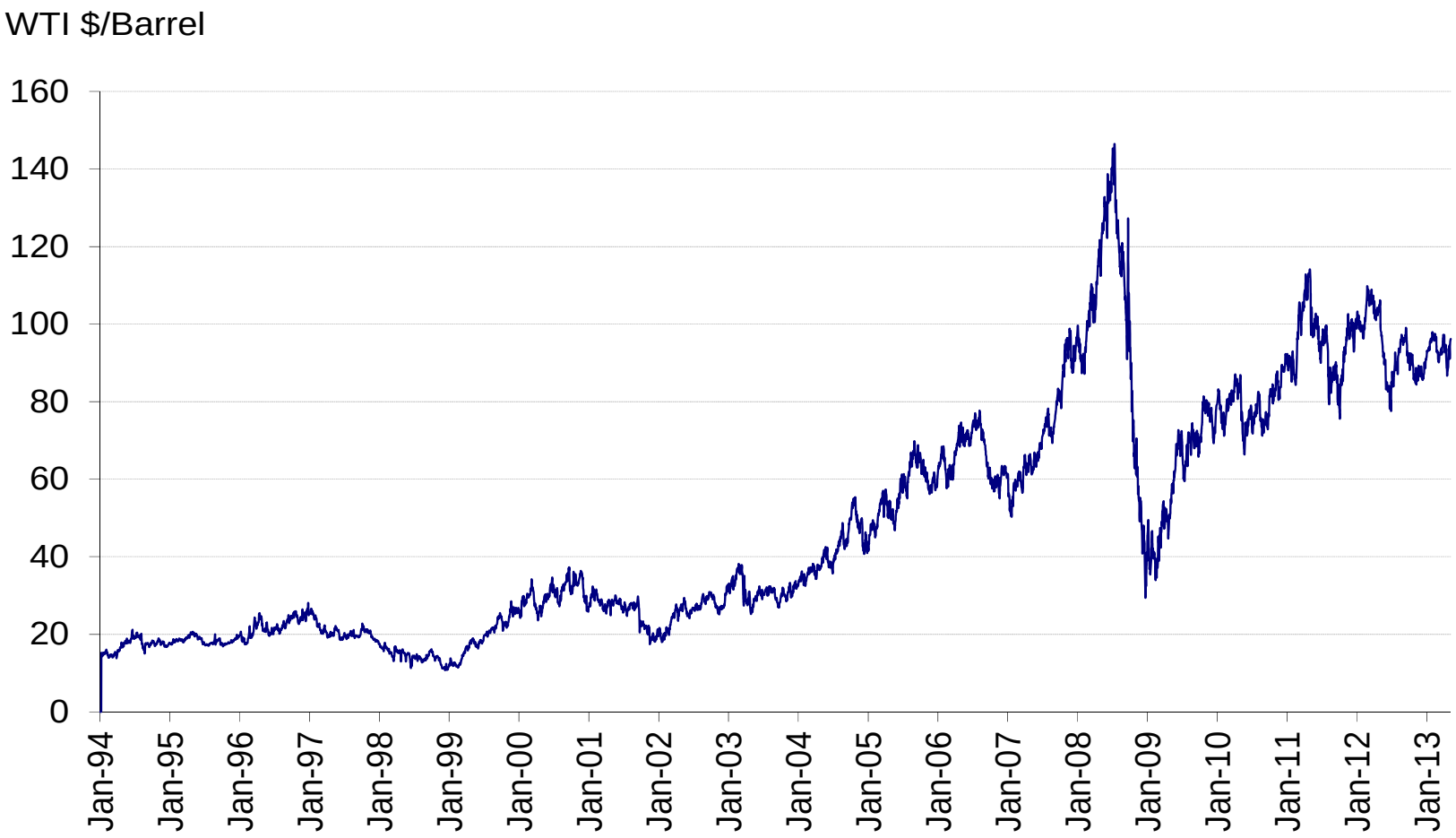
Sources: Federal Reserve Board, Haver Analytics

US Has Been a Net Exporter of Petroleum Products for Almost Two Years



Sources: US Energy Information Administration, Wikiposit

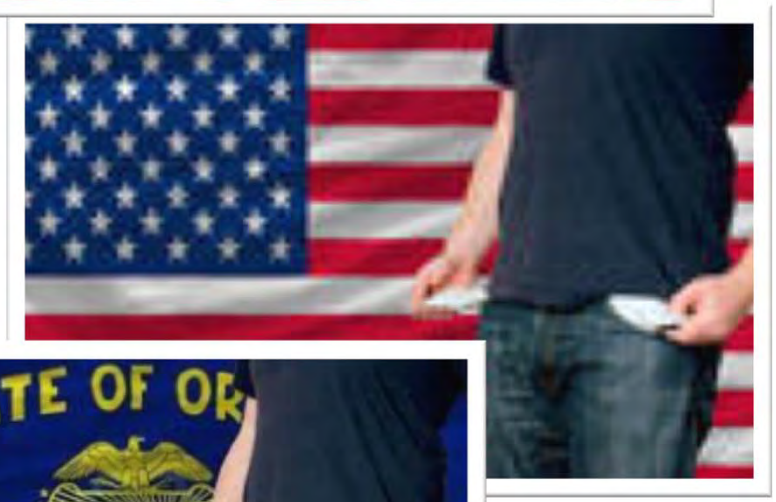
While Stable for Now, Crude Prices Remain High, and Subject to Geopolitical Risk



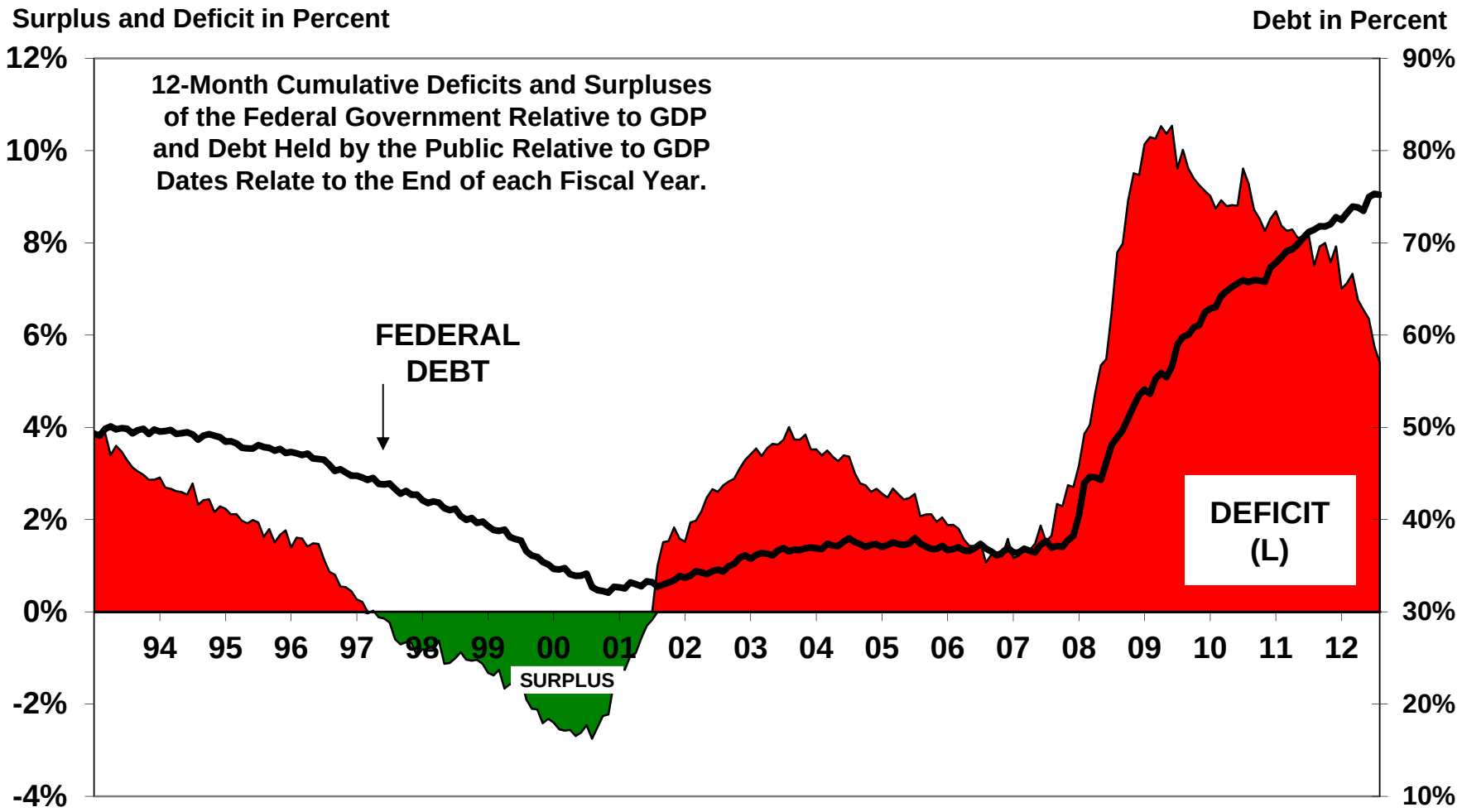
Sources: Wall Street Journal, Moody's Economy.com

FISCAL CONSTRAINTS…

...ARE WIDESPREAD



Deficits Are Declining and and the Debt Burden Is Rising More Slowly



Sources: US Treasury, Macroeconomic Advisors, Haver Analytics

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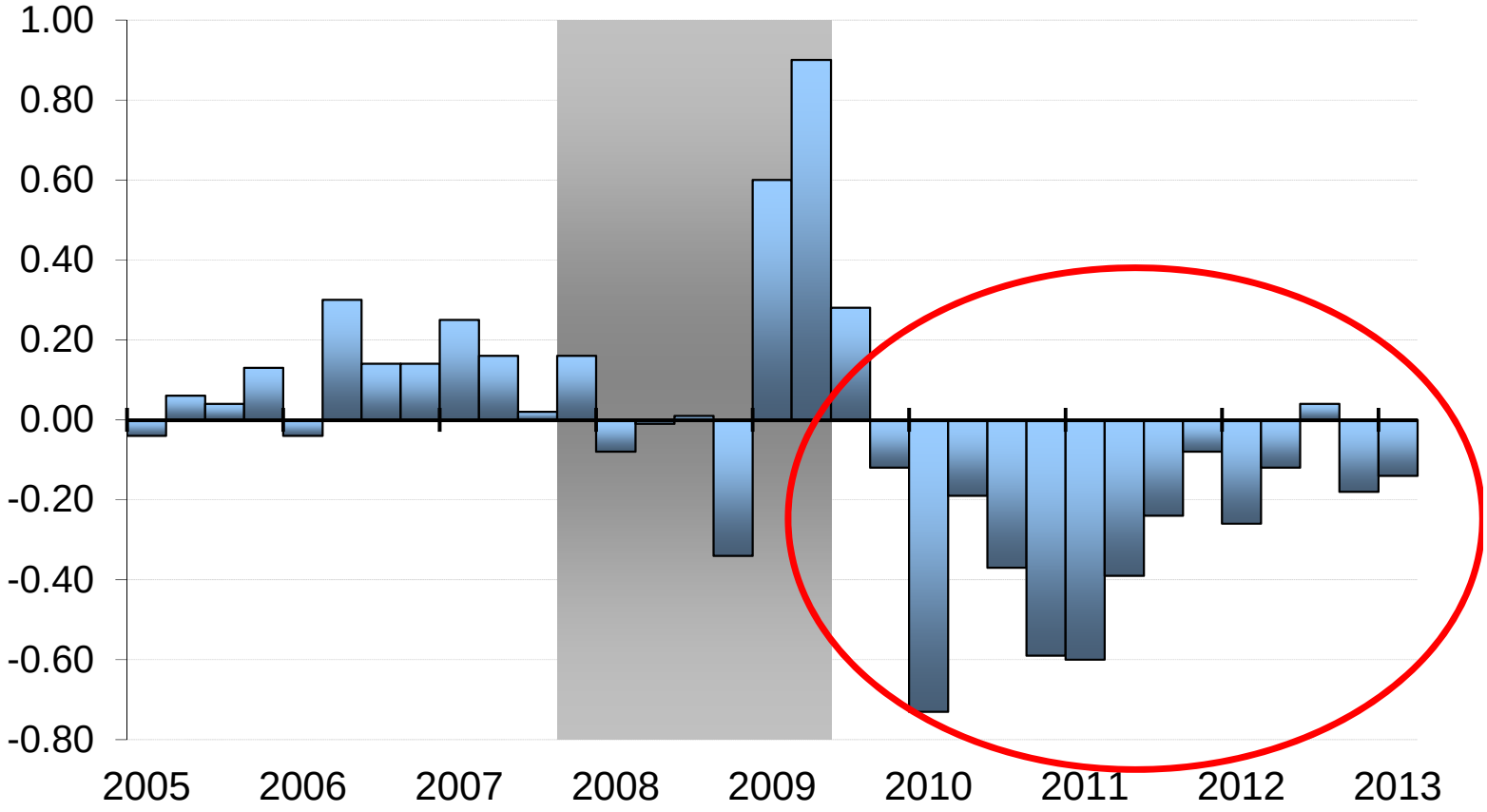
Cliffs and Sequesters and Ceilings, OH MY!!
POLITICIAN

State and Local Governments have been Subtracting from Growth for Several Years

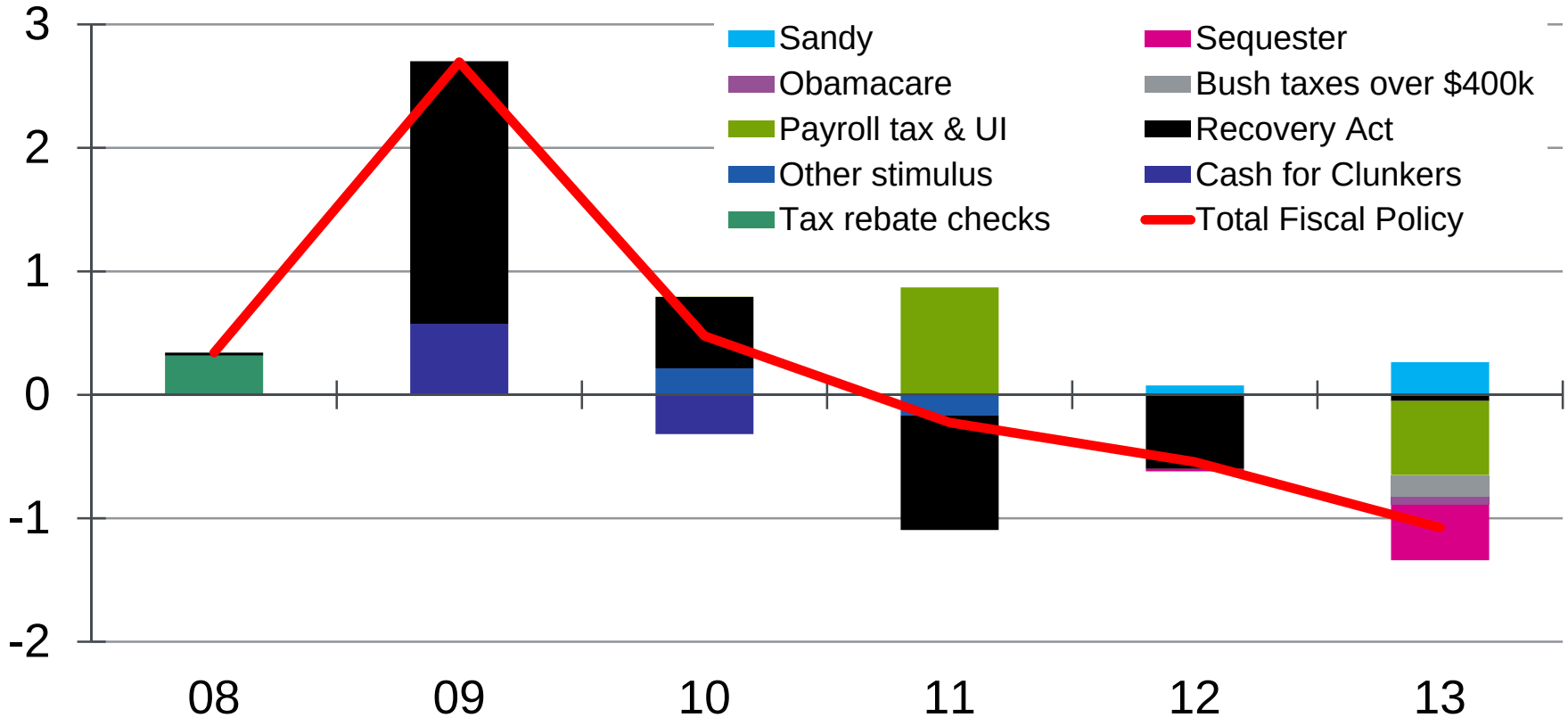
Contribution to Real GDP Change
SAAR, %



Sources: BEA, NBER, Haver Analytics

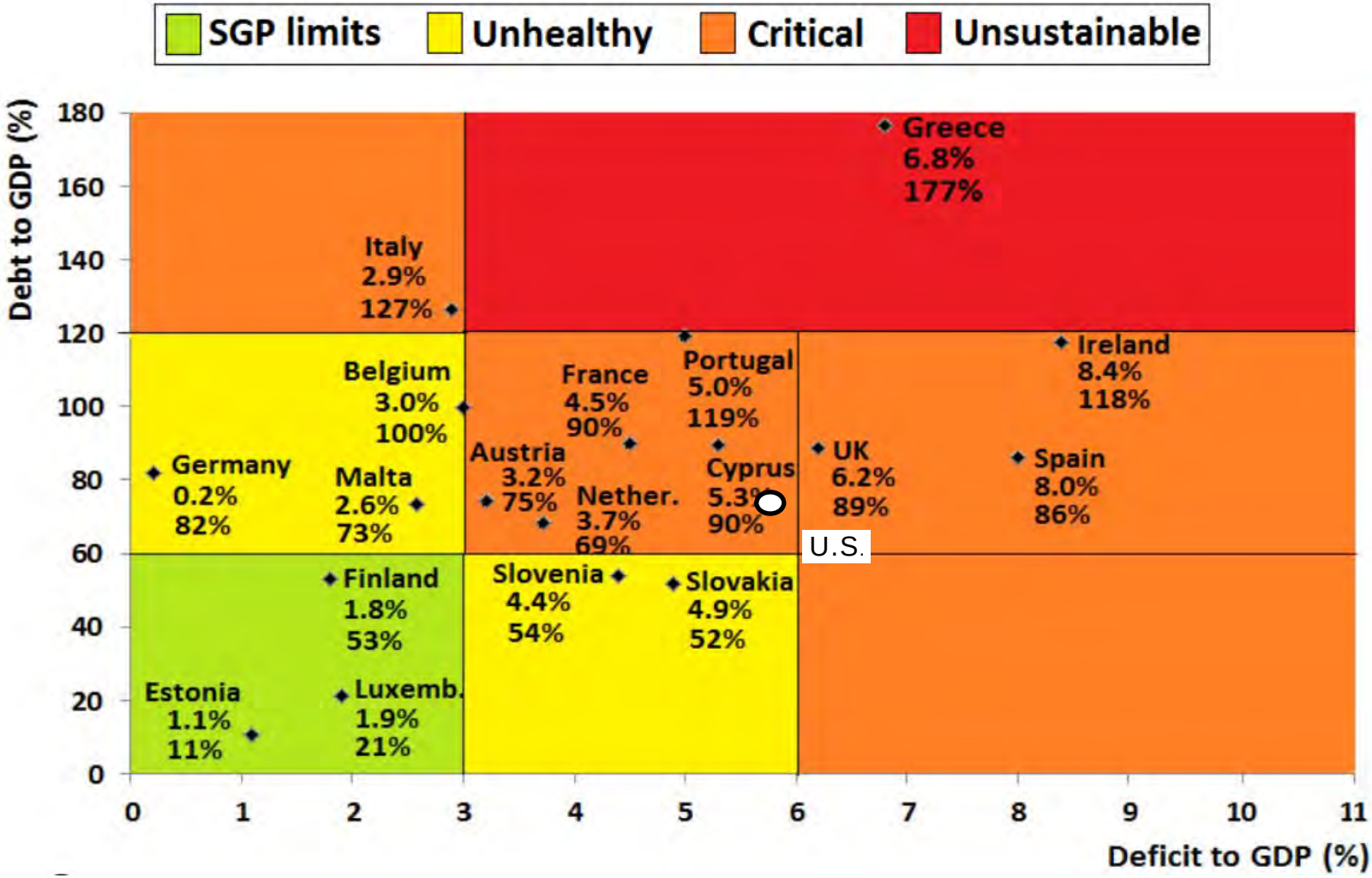
The Sequester Increases the Fiscal Drag in 2013

Federal Discretionary Fiscal Policy:
Contribution to Real GDP growth, %



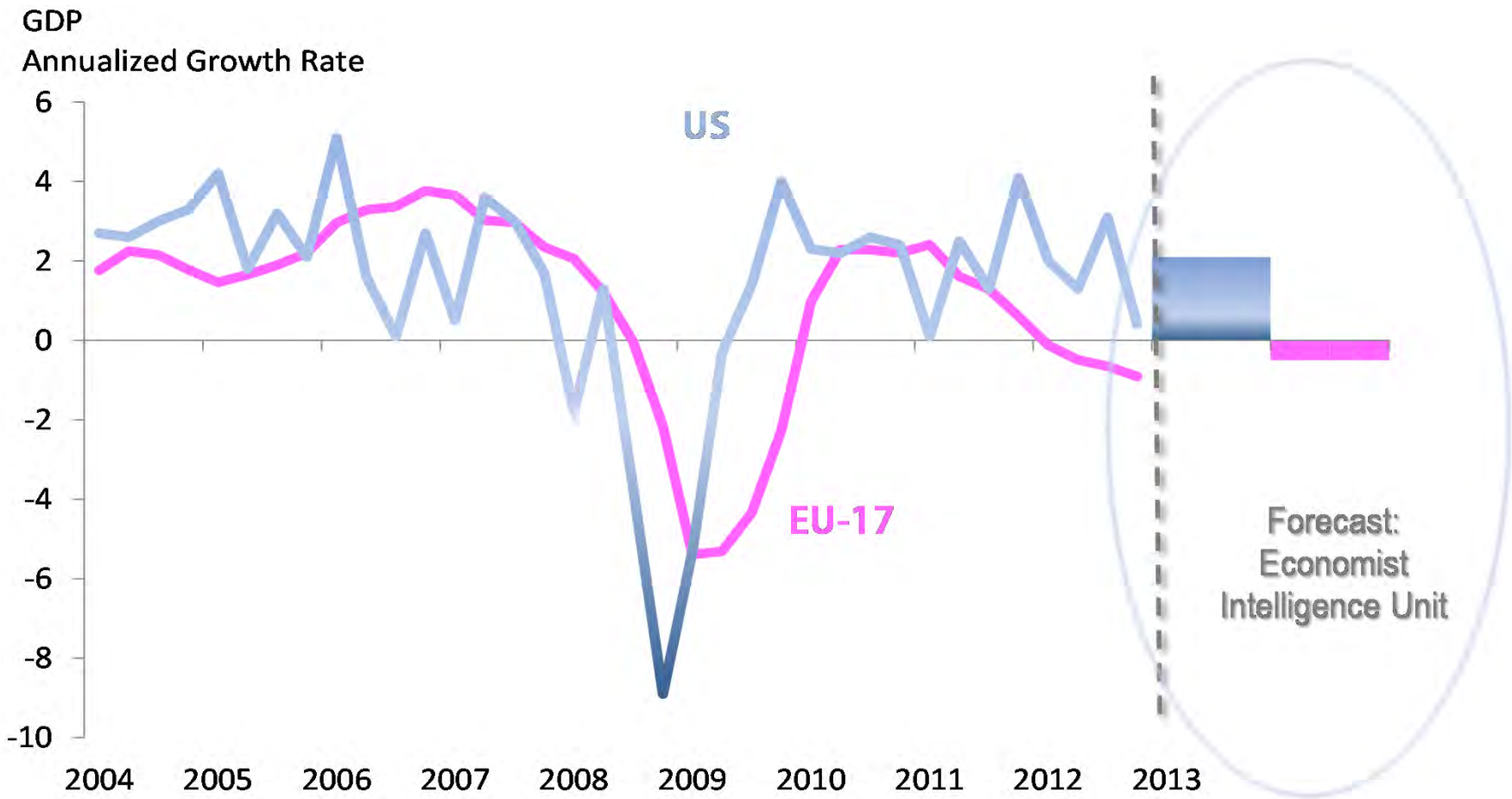
Sources: Moody's Analytics

Deficits and Debt Levels in Europe Are Mostly Less Severe Than in the U.S.



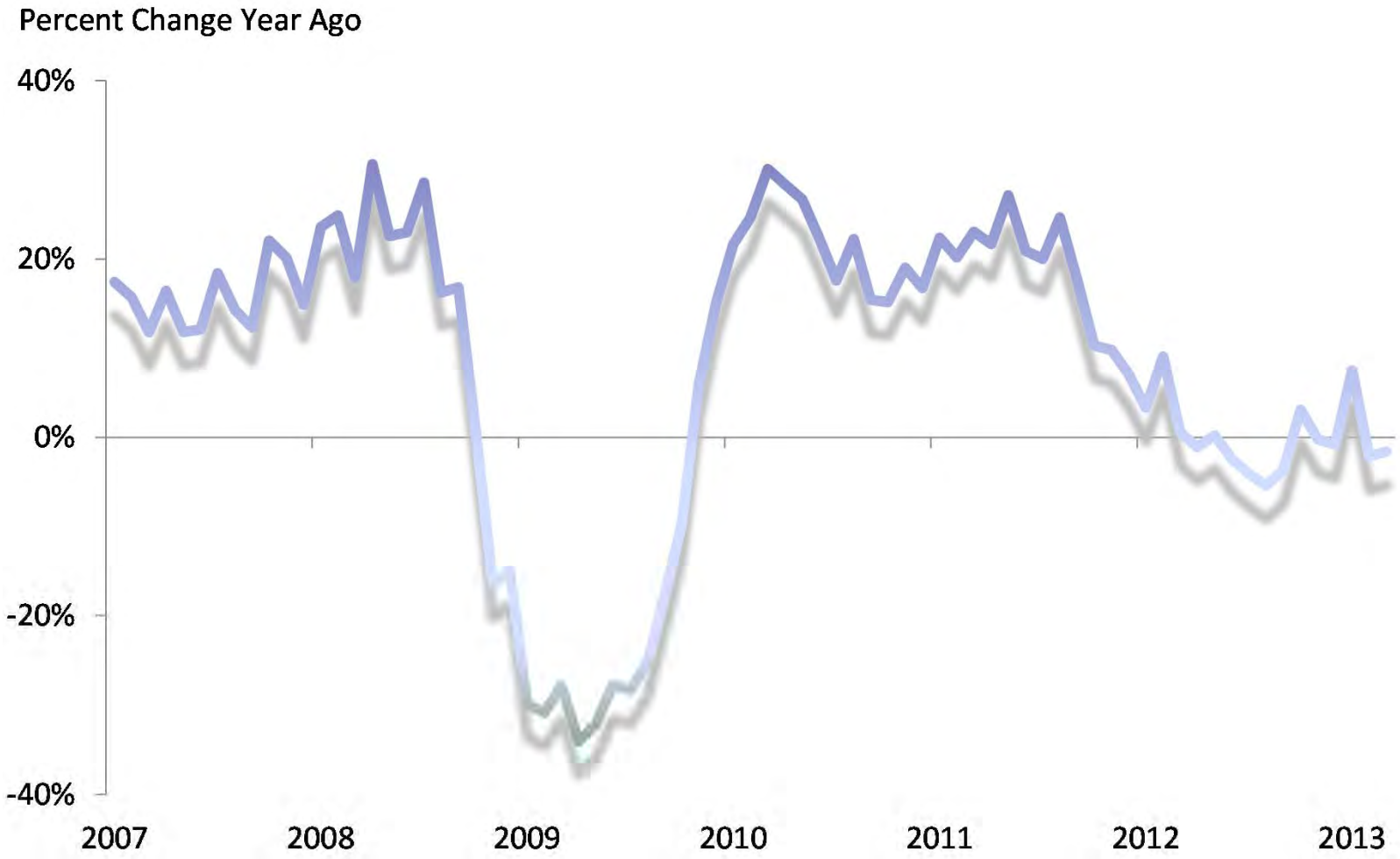
Sources: Eurostat, Wikipedia

Europe's Double Dip Recession Is Not Helping Their Situation….Or Ours



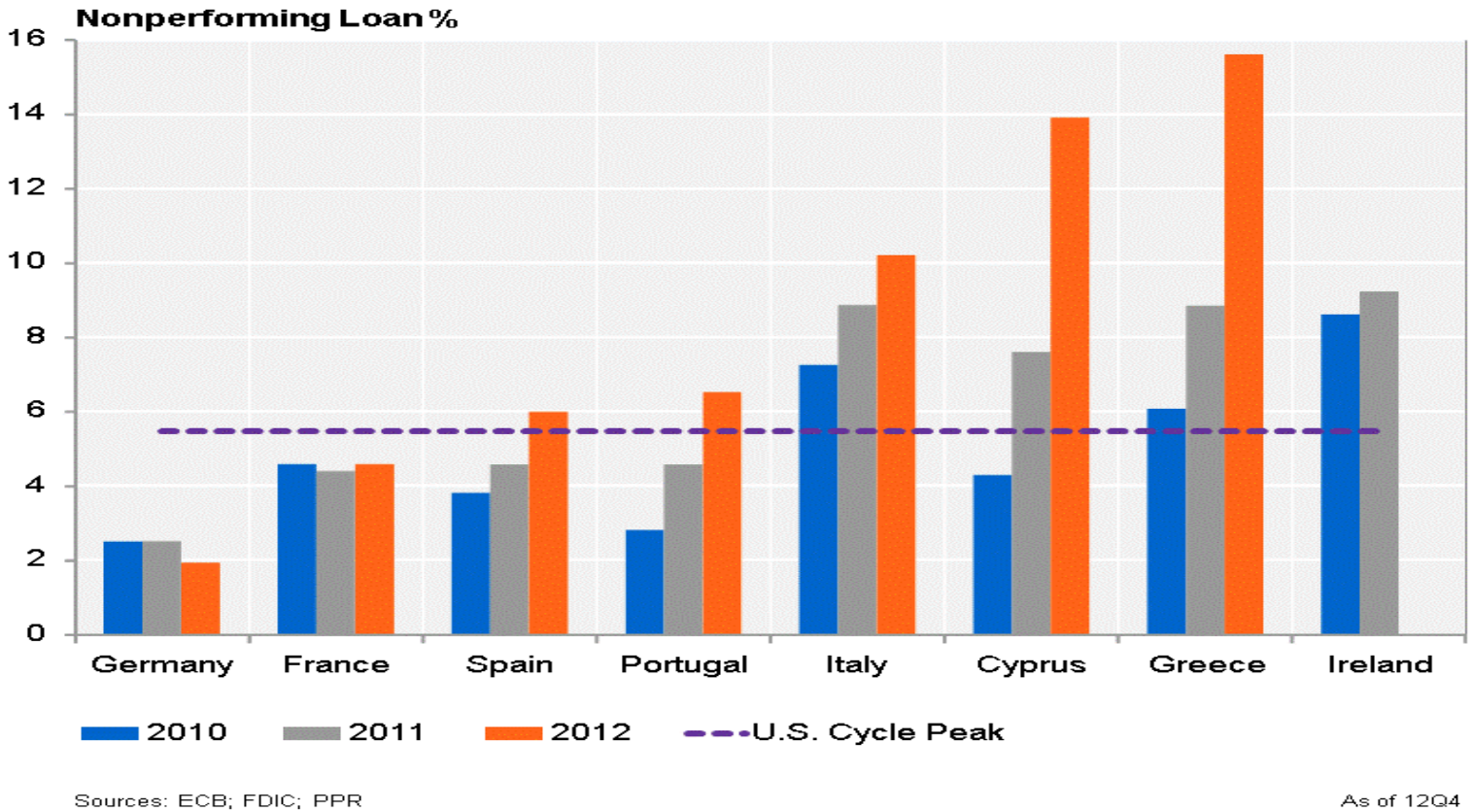
Sources: BEA, Haver Analytics, ECB

Growth in Total Global Exports Has Ground to a Halt



Sources: WTO

Many European Banks Are Struggling With Poor Credit Quality



Sources: PPR

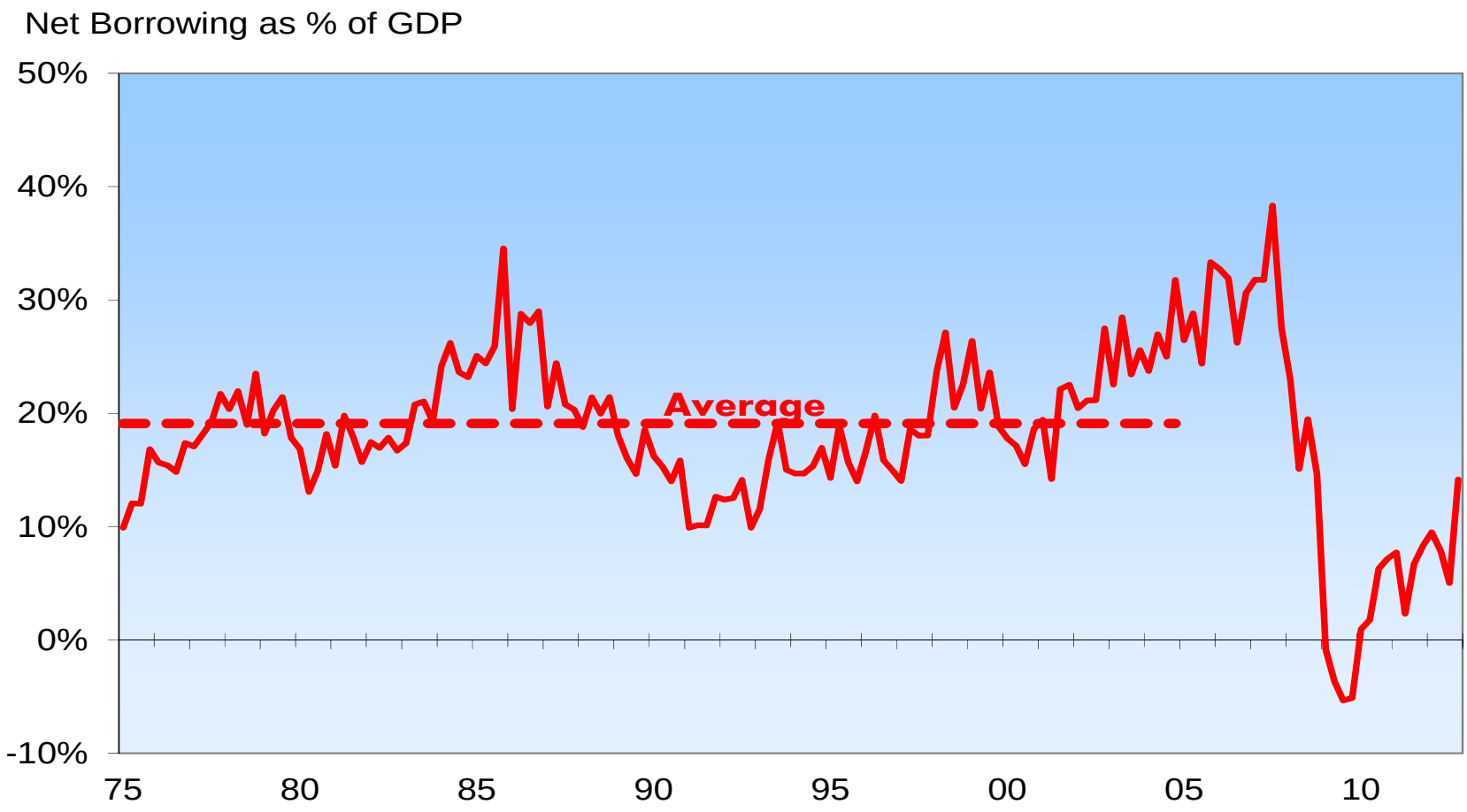
Very Much a Credit Crunch in Europe

Source: The Economist 3/9/13

We're Still on the Downside of the Credit Boom.

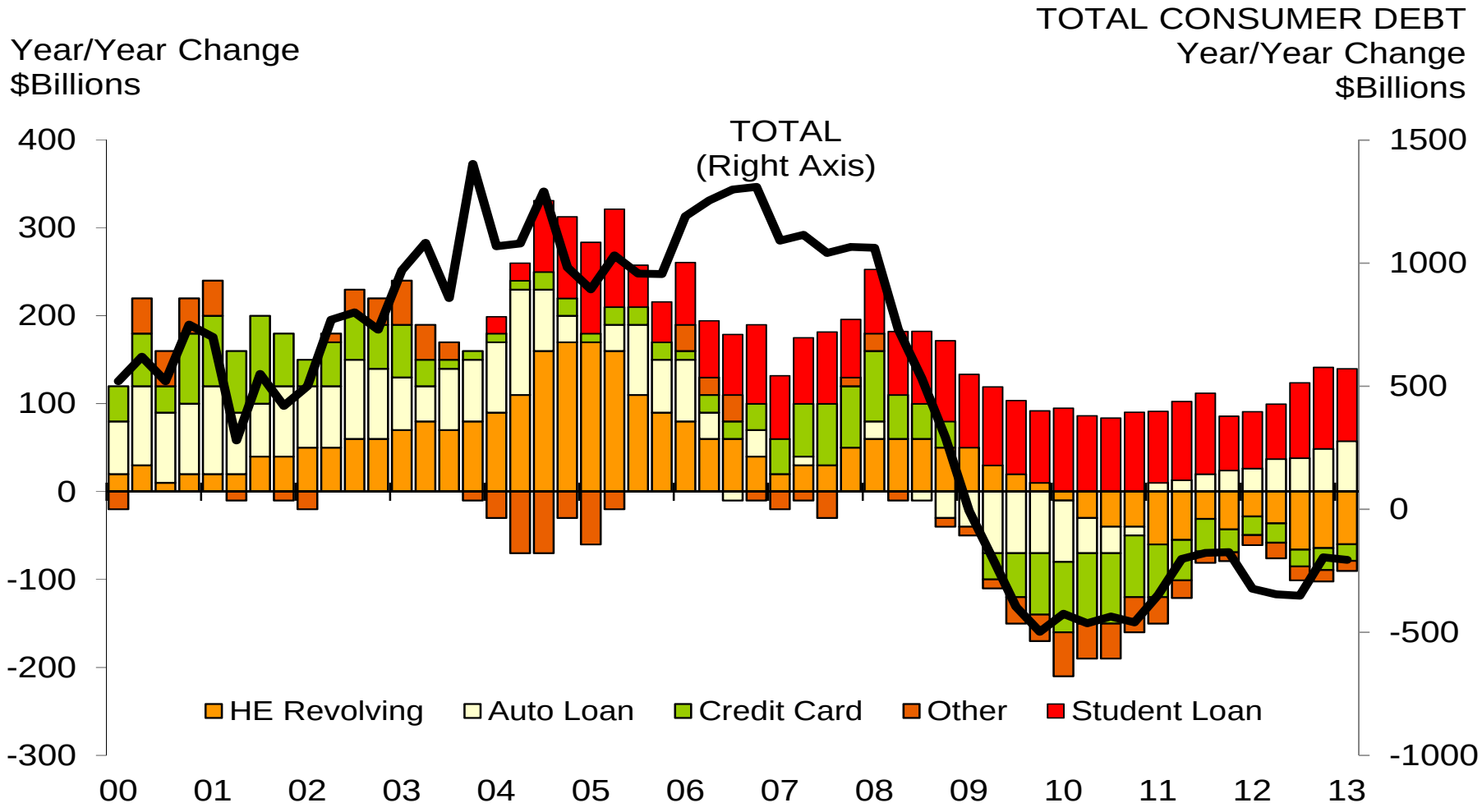
Repairing the Damage is Likely to be a Long-Term Project

Despite Recent Surge, the Days of Debt-Fueled Spending Are Gone



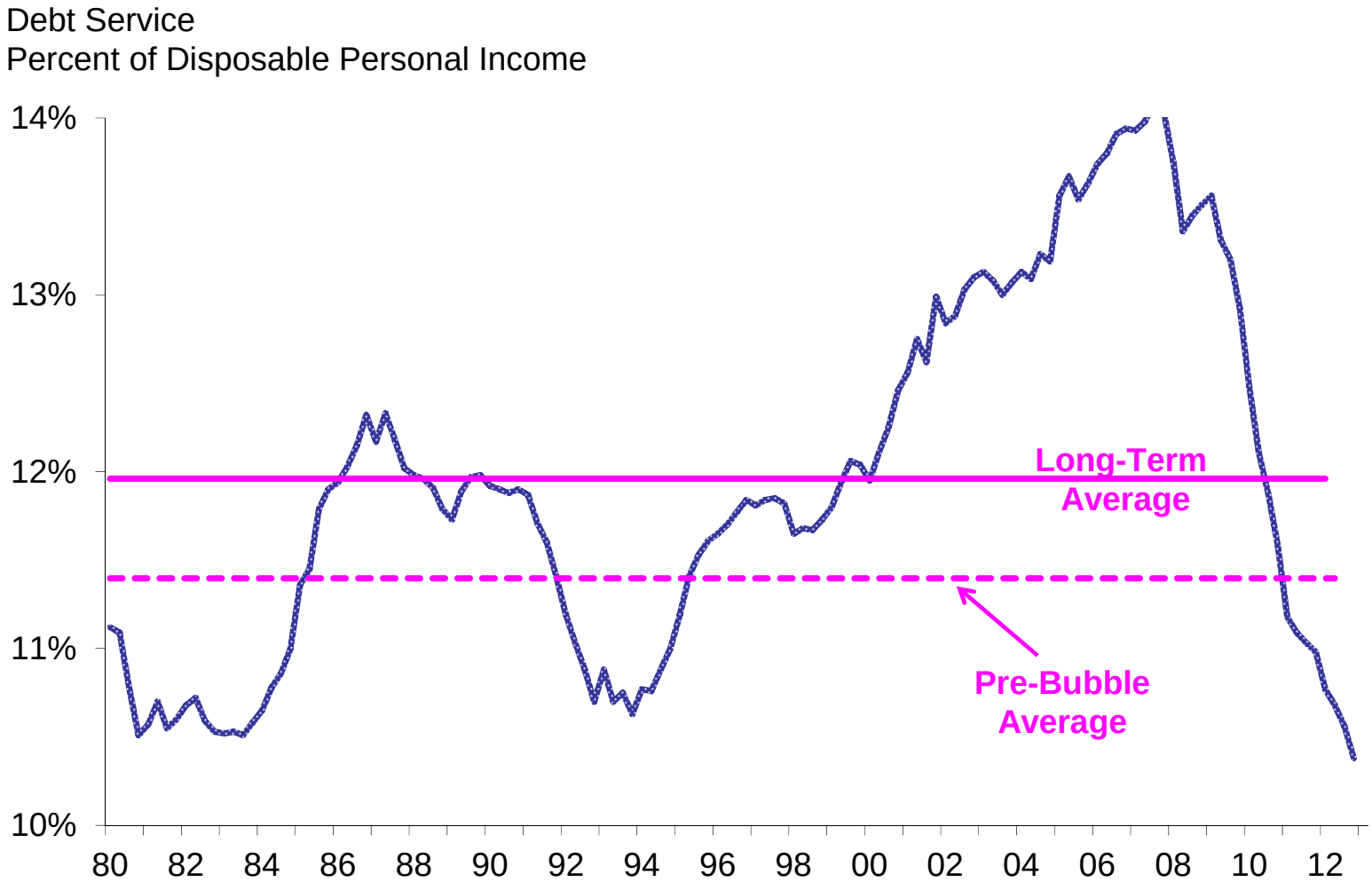
Sources: Federal Reserve Board, Haver Analytics

Only Auto Loans and Student Loans Are Increasing Relative to Last Year



Sources: FRBNY

Debt Service Burden has Lightened Considerably



Sources: Federal Reserve Board, Haver Analytics

Rates Are Bound to Rise at Some Point…
…and Are Likely to Rise Quickly

Sources: Federal Reserve Board and Haver Analytics

Housing and Mortgage Markets

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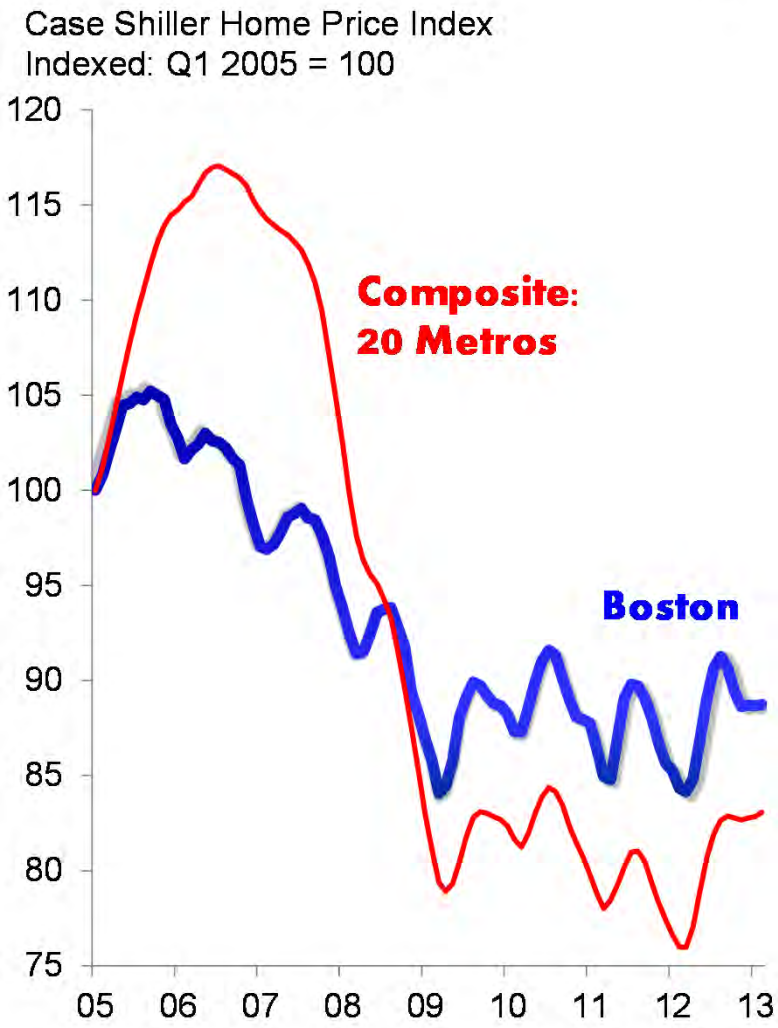
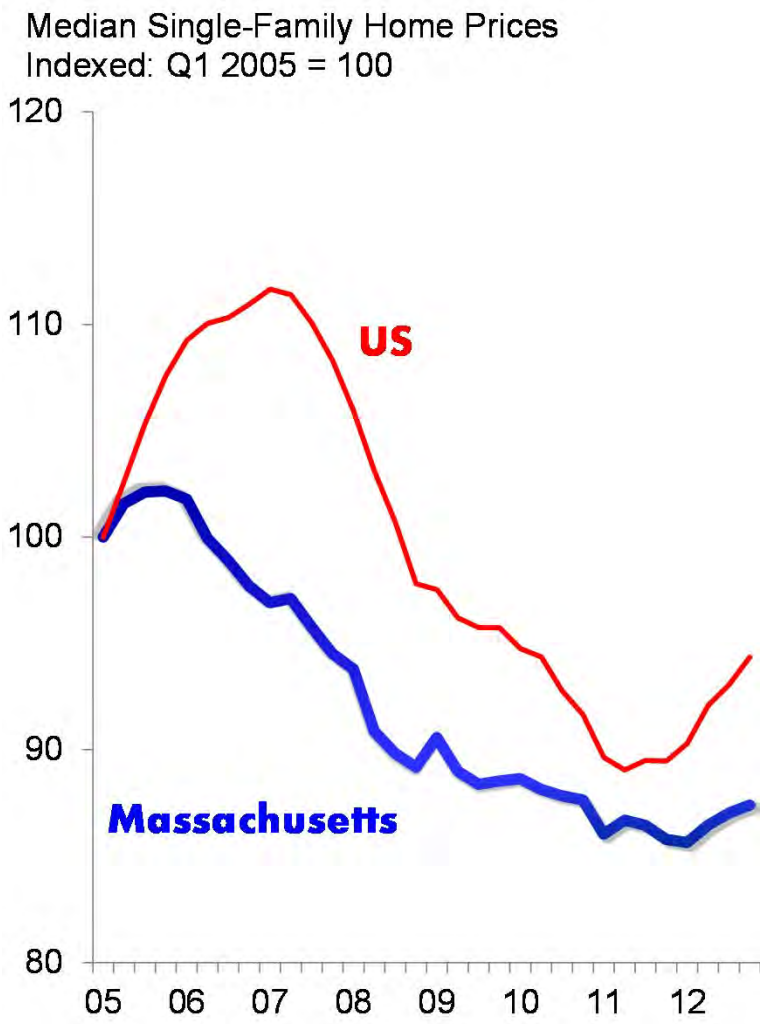
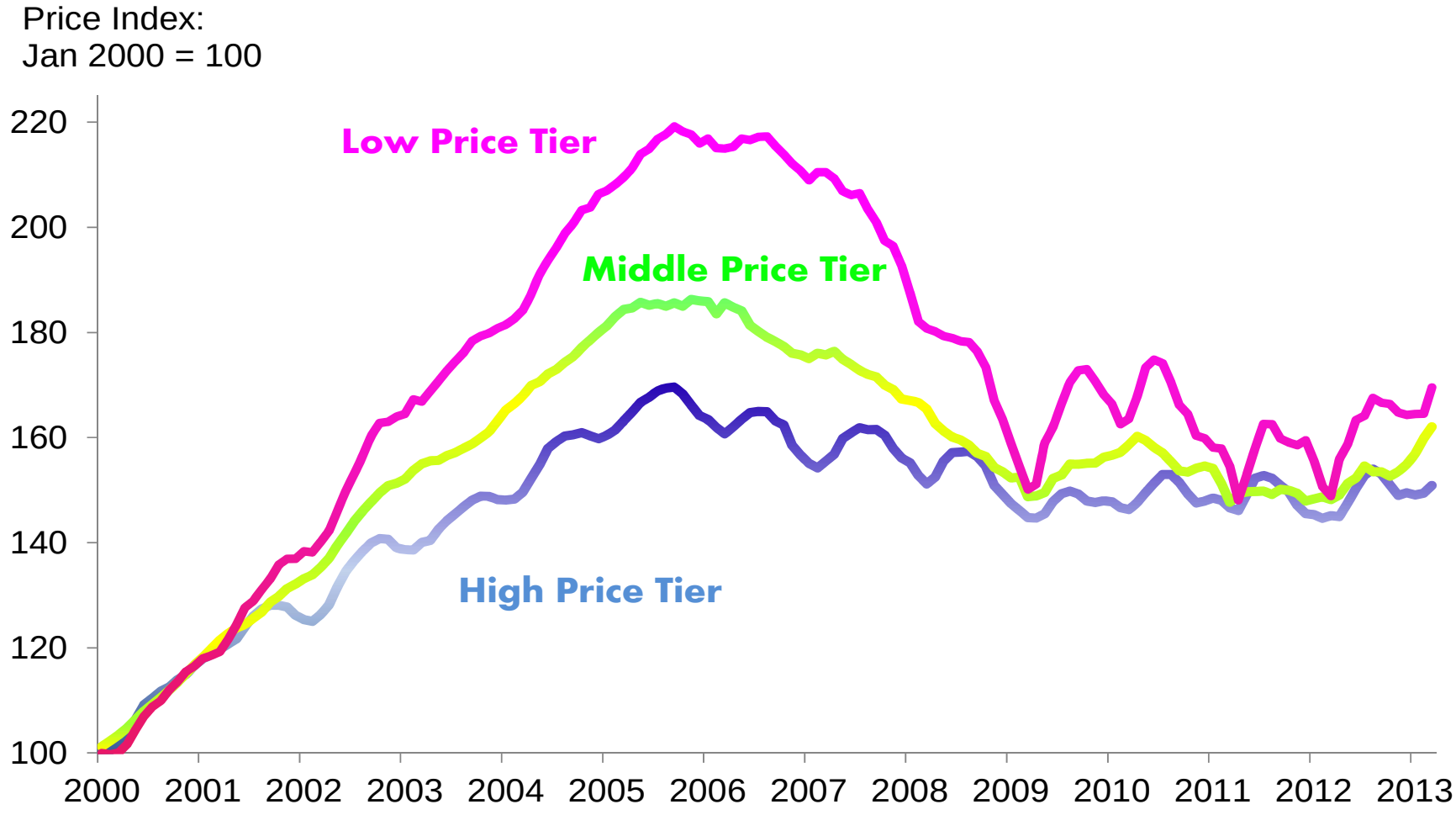
Massachusetts Residential Real Estate Saw Modest Upside This Cycle





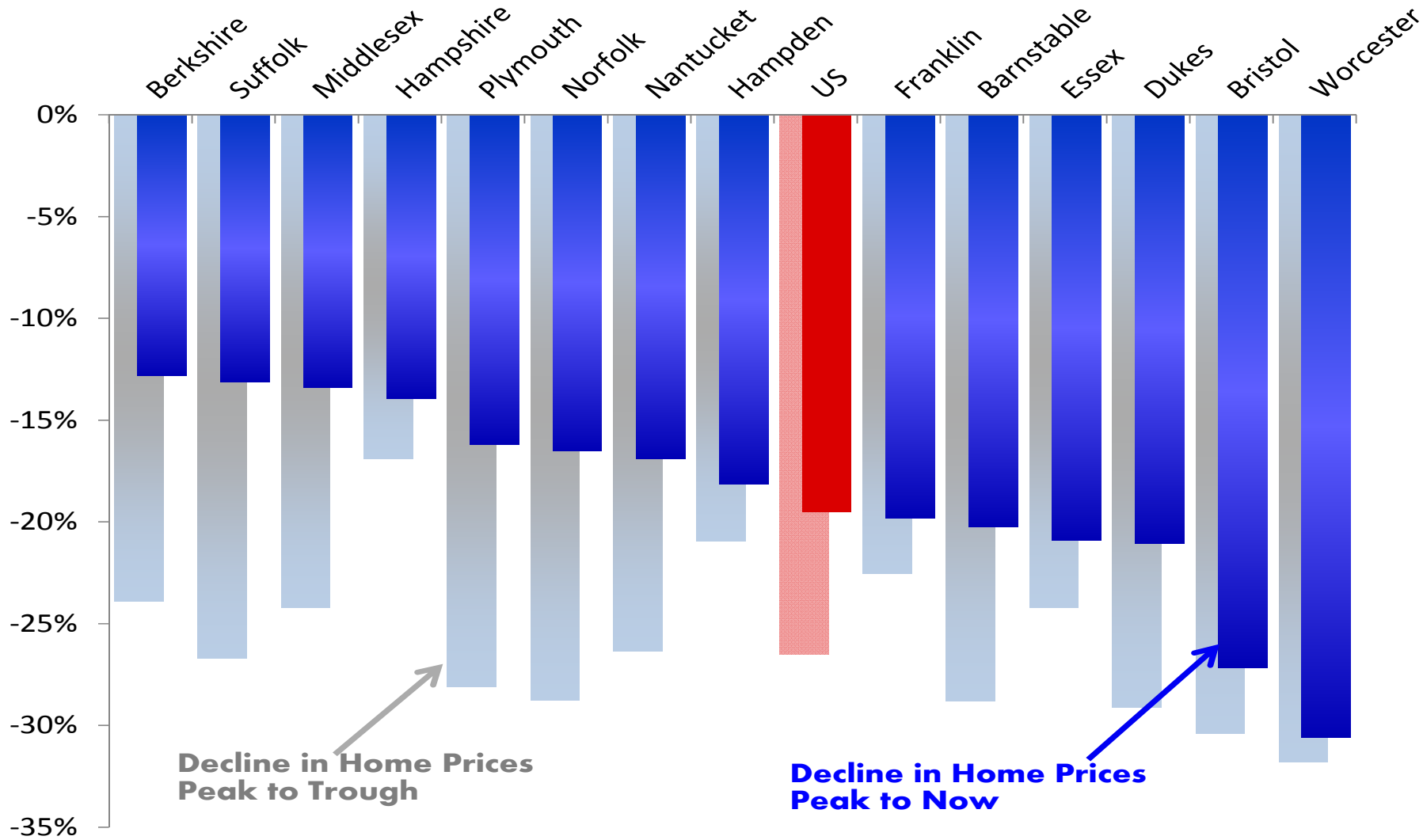
Sources: FHFA, Standard & Poors, Fiserv and MacroMarkets LLC. Haver Analytics.com

Higher Priced Homes in Boston Metro Saw Little of the Boom….Or the Bust



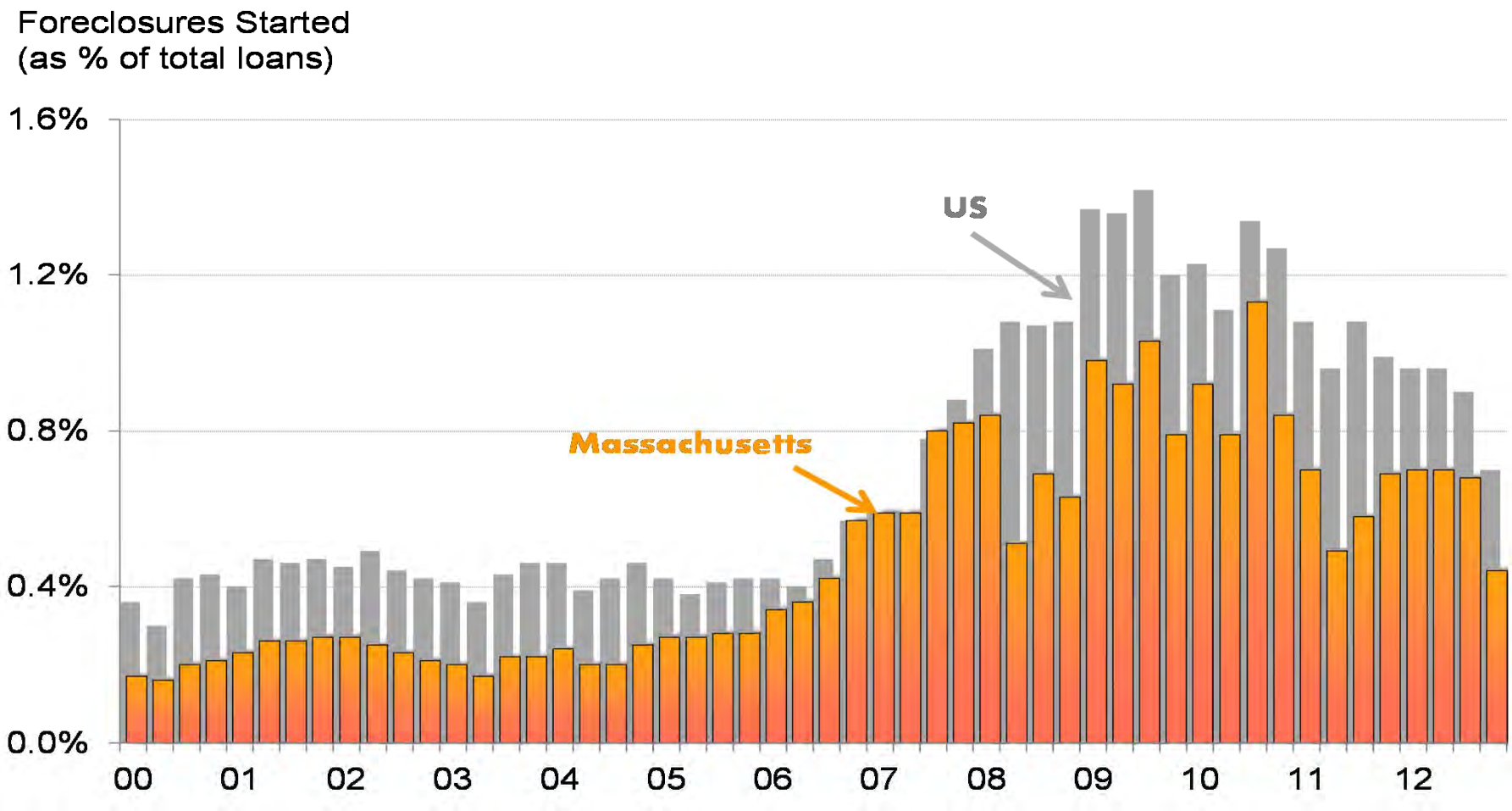
Sources:

Most Massachusetts Counties Have Seen Some Home Price Recovery



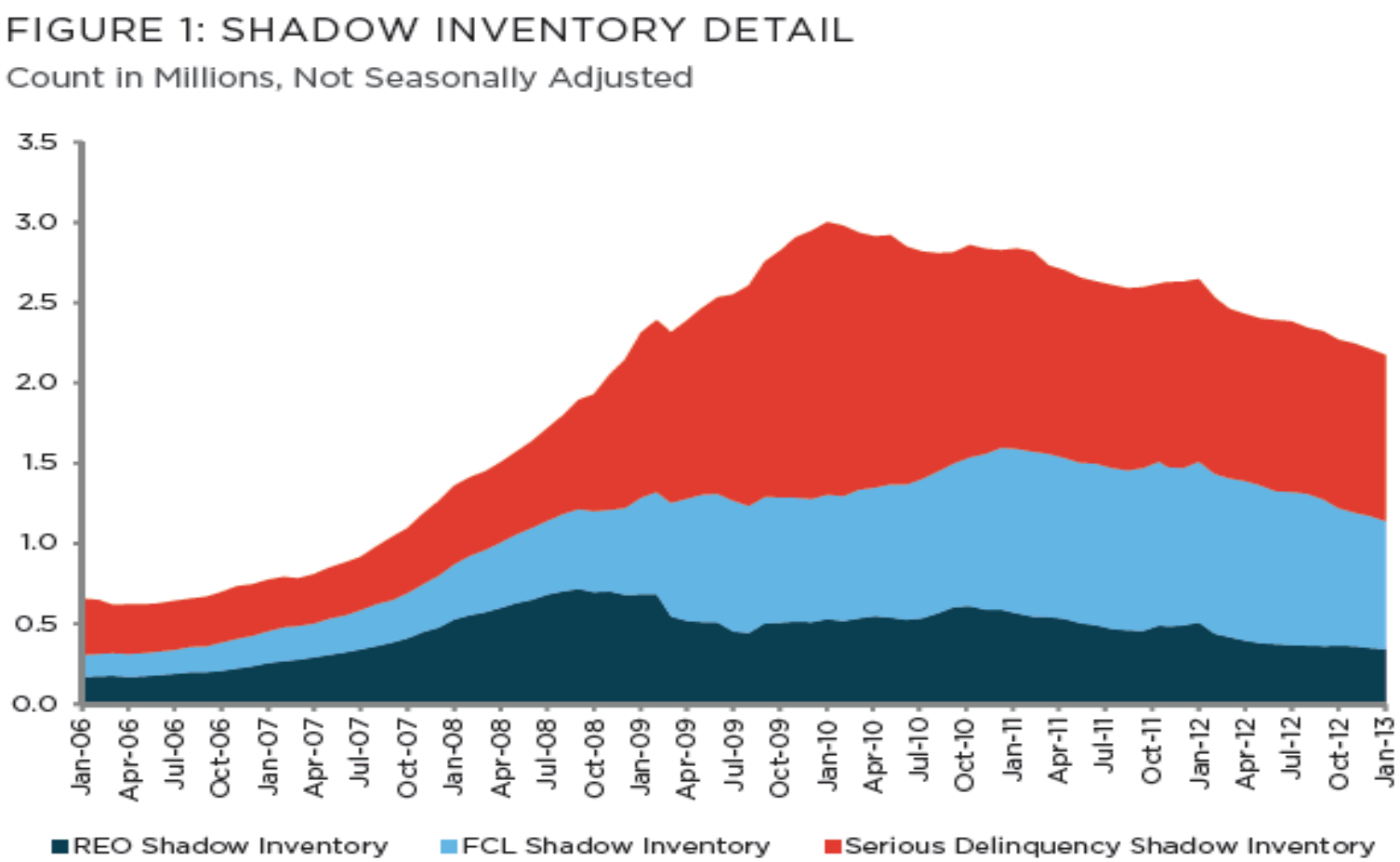
Sources: NAR, Moody's Economy.com

Foreclosures in the State Did Not Have the Run-up During the Crisis, and Remain Lower Than the Nation



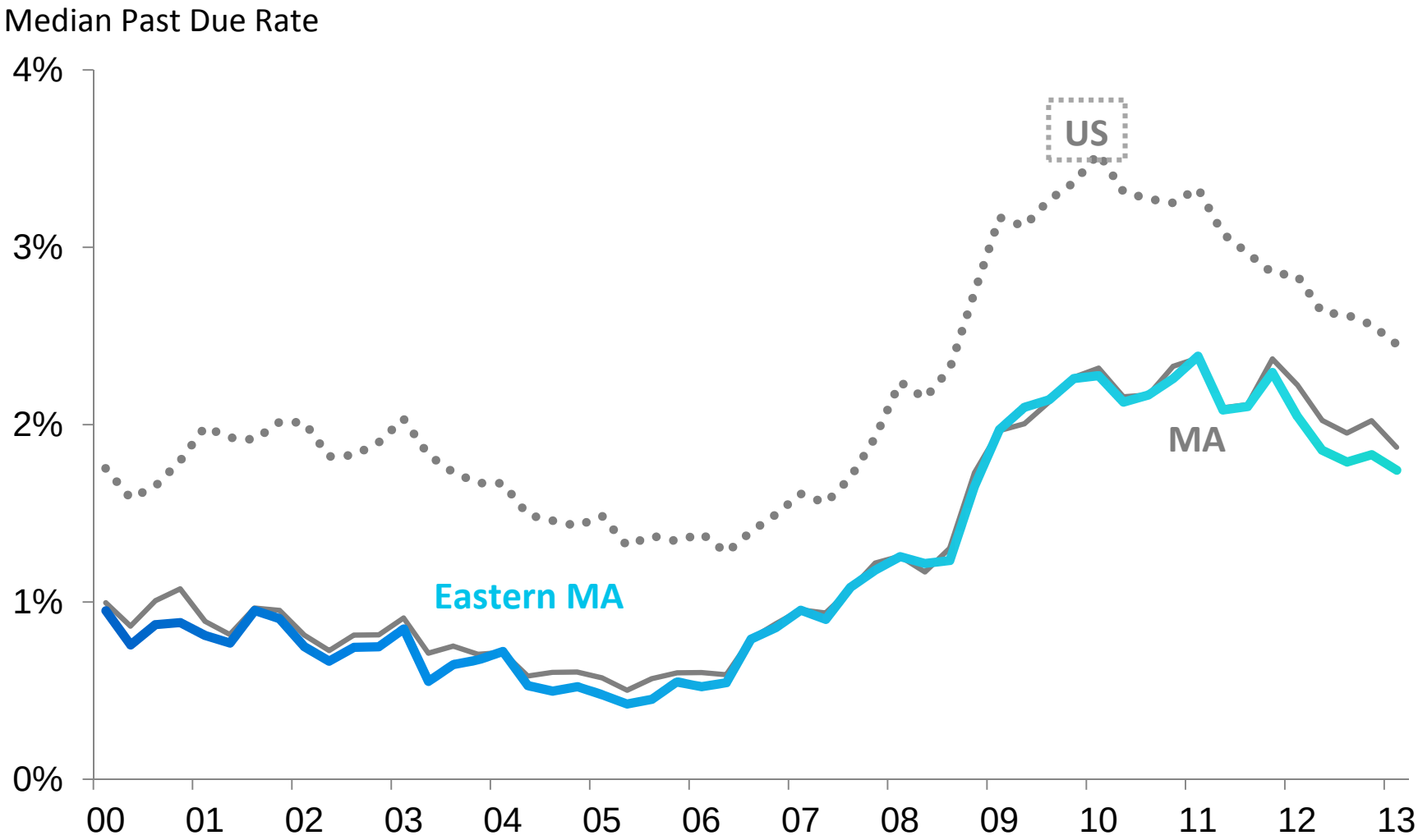
Sources: Mortgage Bankers Assoc., Haver Analytics

Pipeline of Distressed Properties Is Still Full



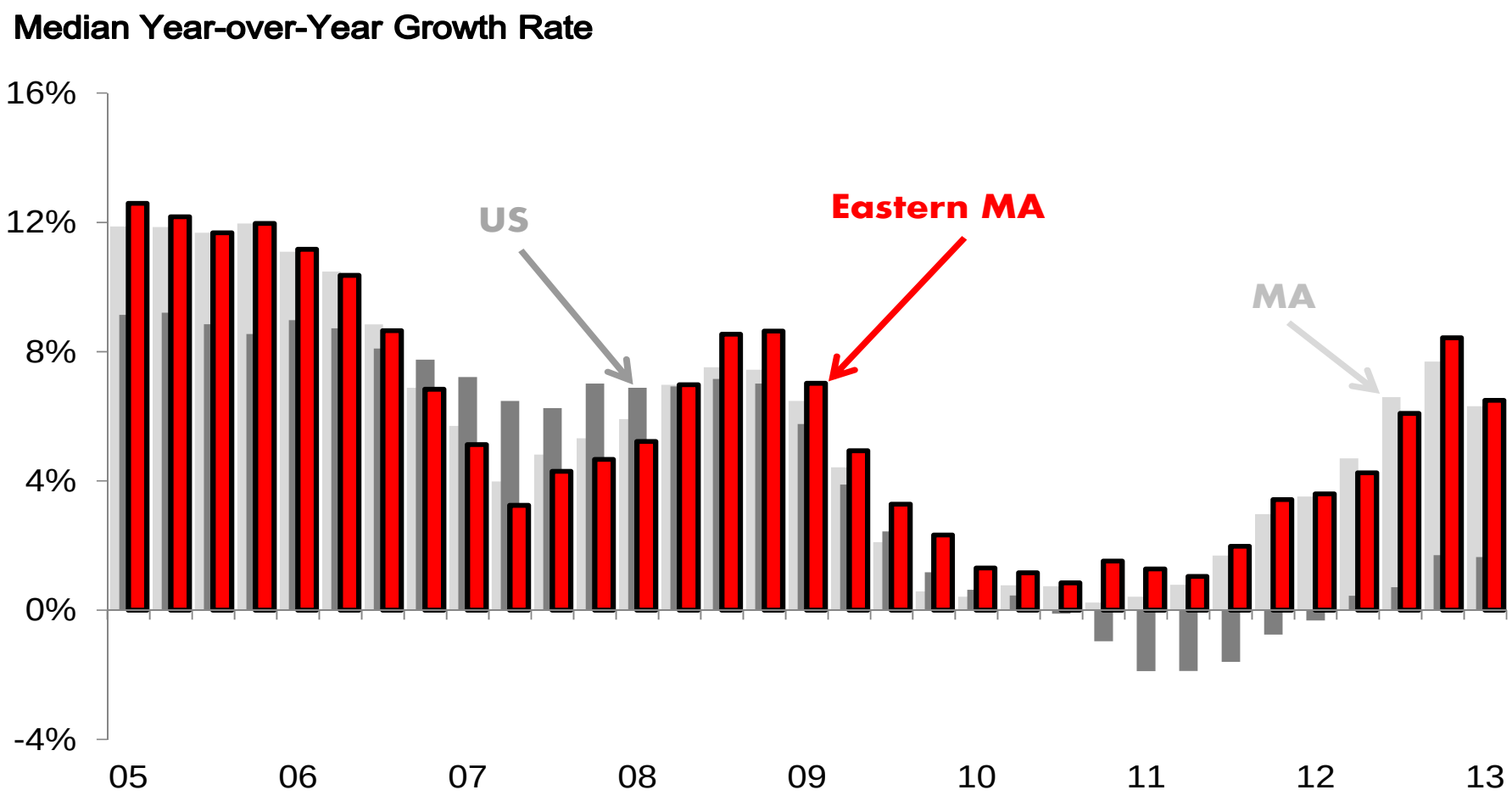
Source: Corelogic

Total Past Dues Have Been Declining in Massachusetts

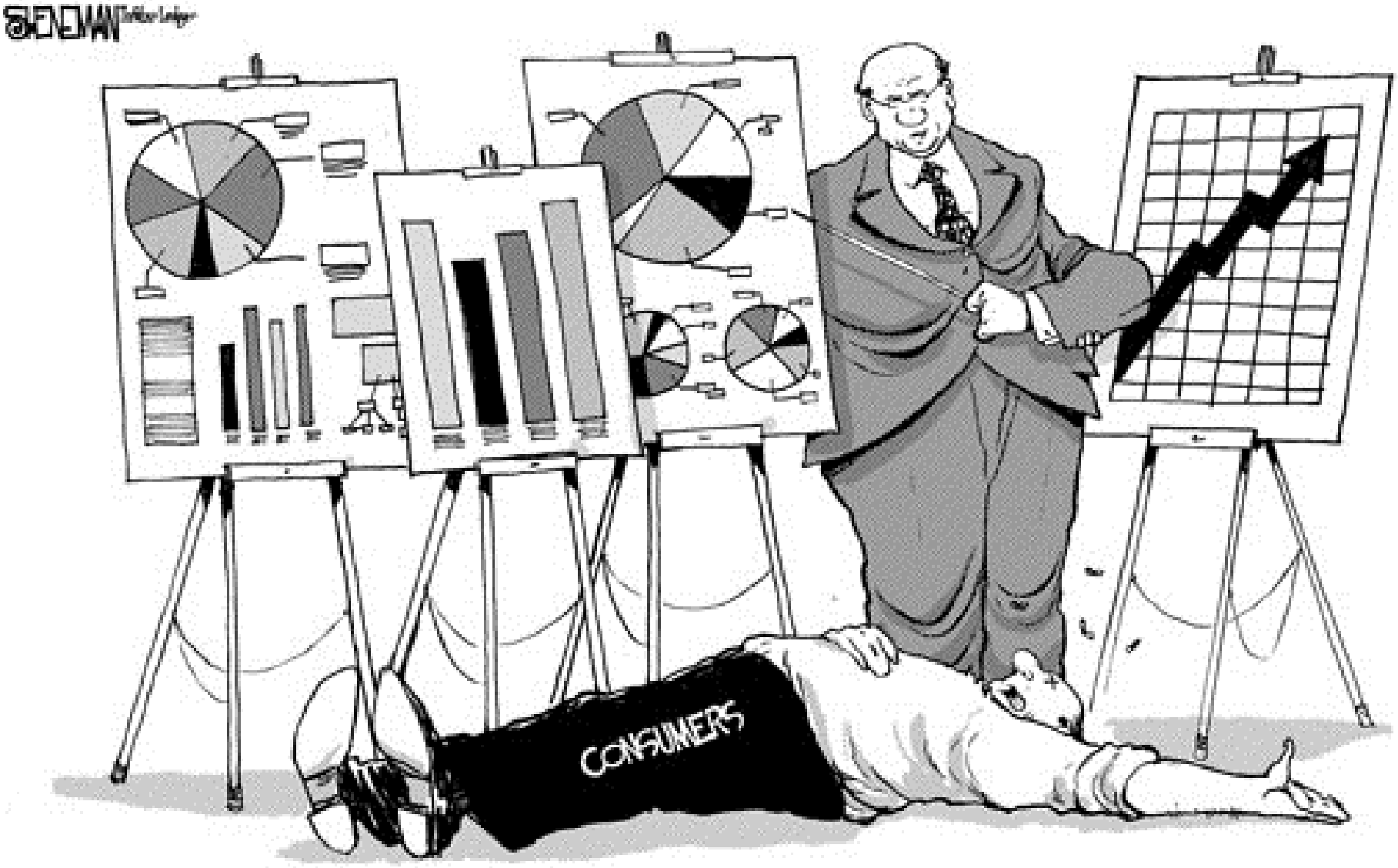


Source: FDIC. Data through March 31, 2013.

Banks in Eastern Massachusetts Made a Strong Recovery in Lending



Source: FDIC. Data through March 31, 2013.



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Questions?

Susan Levy
sulevy@fdic.gov