

Is It a Real Recovery at last?

Boston Alliance for Economic Inclusion
May 3, 2012

- Major Economic Indicators
- Debt & the Capital Markets
- Housing and Mortgage Markets
- Commercial Real Estate
- Banking Trends

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Many Indicators Point to Sustainable Recovery

GDP
BAAI, BIP (2005=100) 1948-2012
GDP has nearly surpassed previous peak

INITIAL CLAIMS FOR UNEMPLOYMENT
SA, 000s 1948-2012
Long-term Average

MANUFACTURING EMPLOYMENT
Y/Y change 000s 2001-2012

RETAIL SALES
Billion 2000-2012

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

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The Jobs Deficit Is the Real Worry

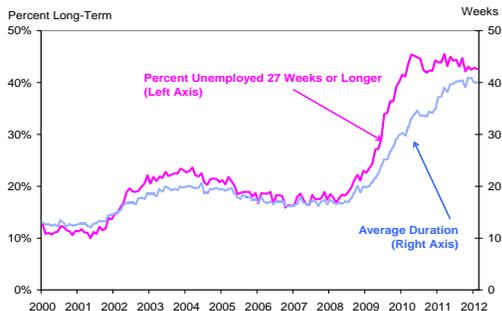
Change in Total Employment Relative to Peak
Months from Peak Employment

Sources: BLS, Haver Analytics

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The Unemployed Are Out of Work for Far Longer Than in Recent Recessions



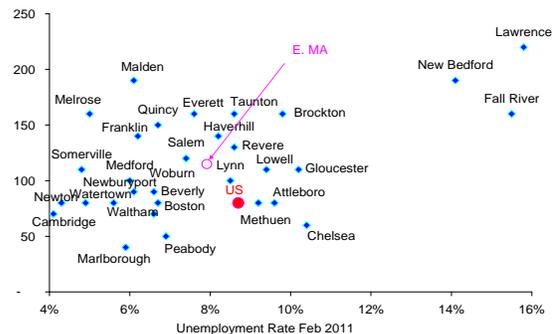
Sources: BLS, Haver Analytics

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On Average, Eastern MA Cities Doing Better than the U.S.

1-Year Improvement in Unemployment (Basis Points)

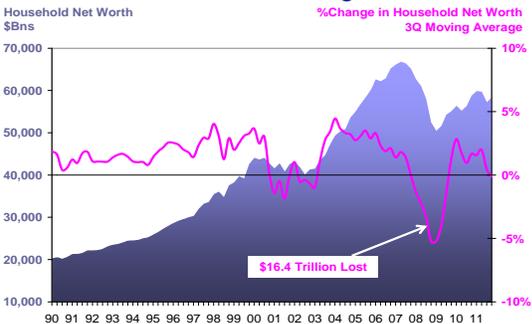


Sources: BLS, Moody's Economy.com

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Wealth Effects Were Severe and Remain an Economic Drag



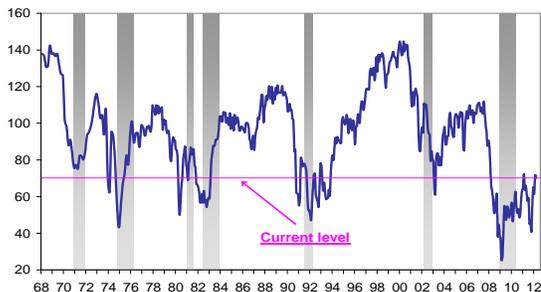
Sources: Federal Reserve Board, Haver Analytics

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Despite Latest Jump, Consumer Confidence Remains at Recessionary Levels

Conference Board Consumer Confidence Index 1985 = 100

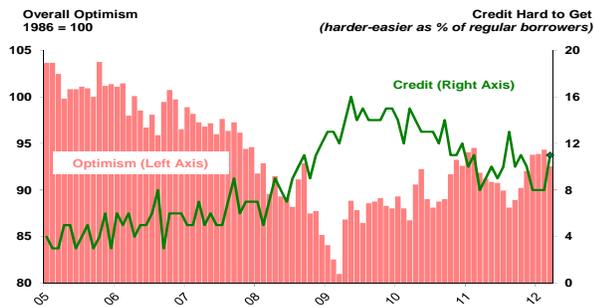


Sources: Conference Board, Haver Analytics

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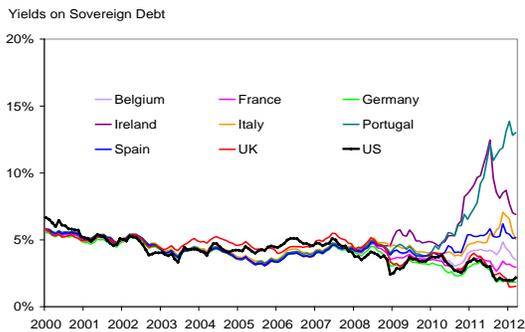
Improvement has Stalled Out Again for Small Business Owners



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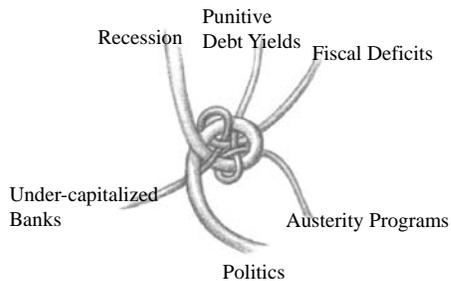
The Biggest Threat to US Recovery is Beyond the Control of US Policy-makers



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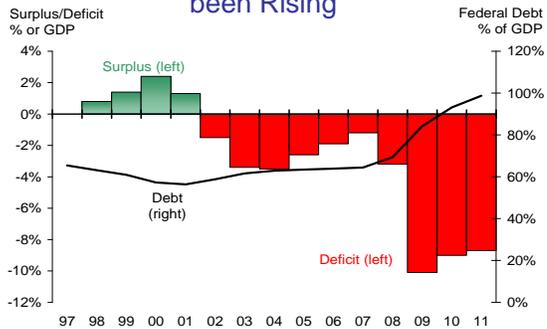
State of the European Union



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Deficits are High and the Debt Burden has been Rising

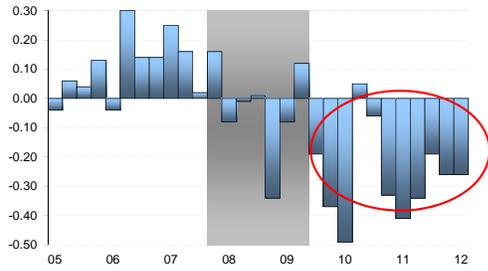


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State and Local Governments Have Been Subtracting from Growth for Several Years

Contribution to Real GDP Change
SAAR, %



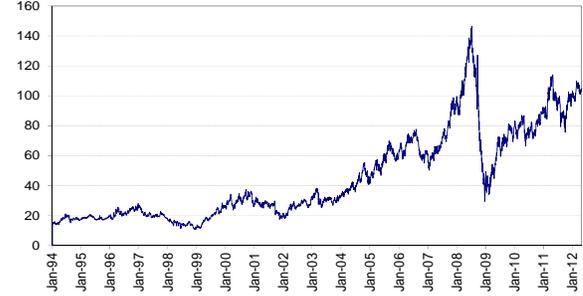
Sources: BEA, NBER, Haver Analytics

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Crude Prices Remain High, and Subject to Geopolitical Risk

WTI \$/Barrel



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

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The Northeast Could See Disruptions in Supply and Higher Prices for Refined Products



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

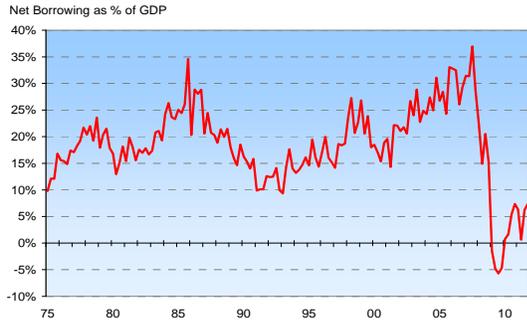
Repairing the
Damage is Likely to be a
Long-Term Project



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The Days of Debt-Fueled Spending Are Gone

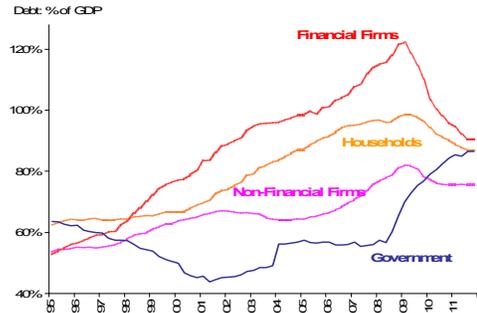


Sources: Federal Reserve Board, Haver Analytics

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Government Steps In as Private Sector Delevers

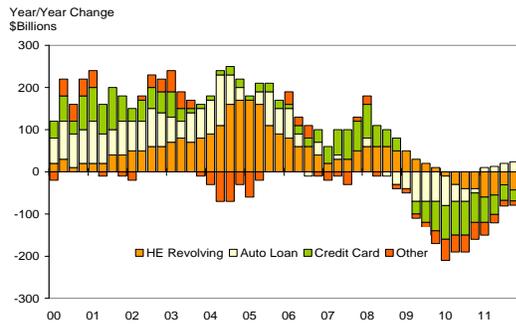


Sources: Federal Reserve Board, Haver Analytics

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Only Auto Loans Are Increasing Relative to Last Year

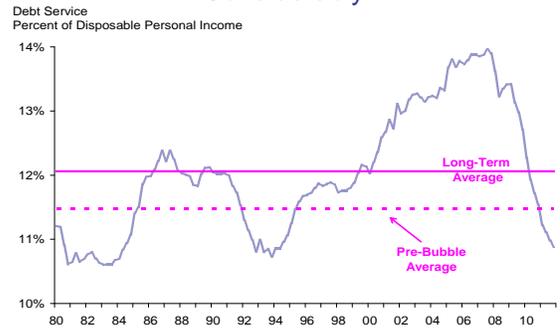


Sources: FRBNY

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Debt Service Burden has Lightened Considerably

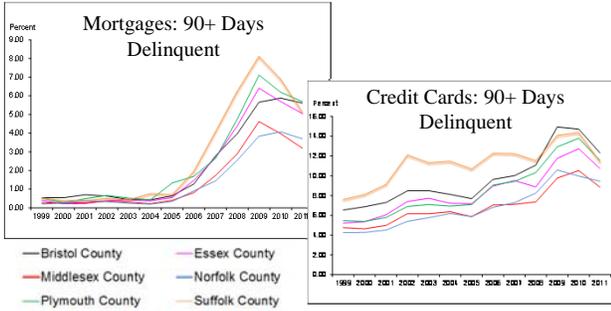


Sources: Federal Reserve Board, Haver Analytics

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Delinquencies Are Starting to Decline in Eastern Massachusetts

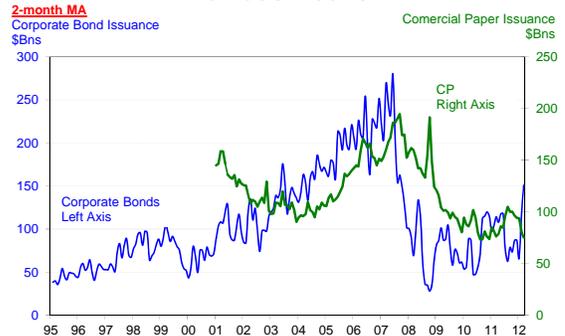


Source: FRBNY Consumer Credit Panel

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Short and Long Term Paper Still Well Off Previous Peaks

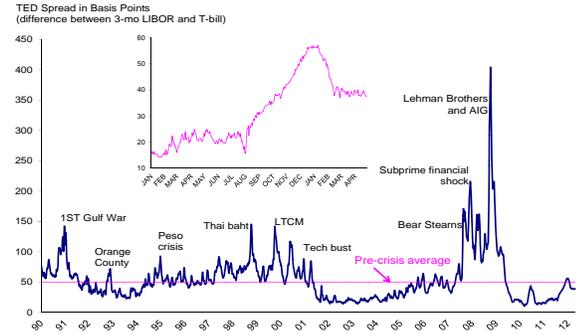


Sources: Federal Reserve Board, Haver Analytics

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ECB Actions have Kept Spreads Low for Interbank Lending

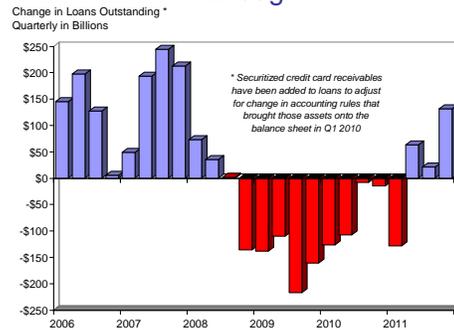


Sources: Federal Reserve Board, British Bankers Assn., Moody's Economy.com

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Loan Growth is Strengthening After a Long Drought



Source: FDIC

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Housing and Mortgage Markets



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The Volume of New Conventional Mortgages Is Near 1996 Levels

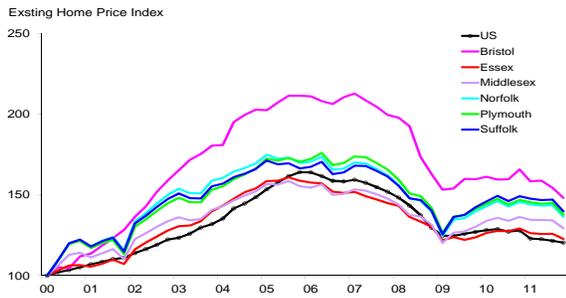


Sources: Mortgage Bankers Association, Haver Analytics

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Most Eastern MA Counties Recovered Faster Than the US...For a While

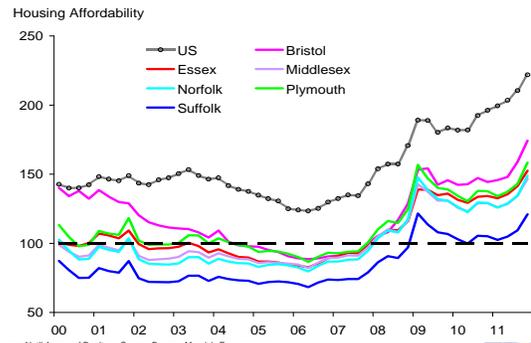


Sources: Nat'l Assoc. of Realtors, Moody's Economy.com

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Housing Affordability is Historically High Throughout Eastern Massachusetts

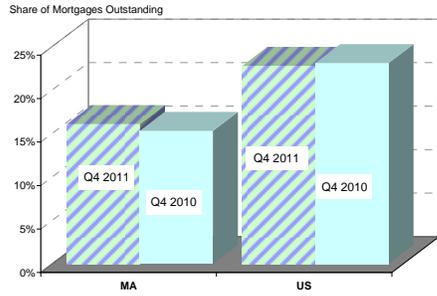


Sources: Nat'l Assoc. of Realtors, Census Bureau, Moody's Economy.com

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Negative Equity Will Continue to Weigh on the Market and the Economy



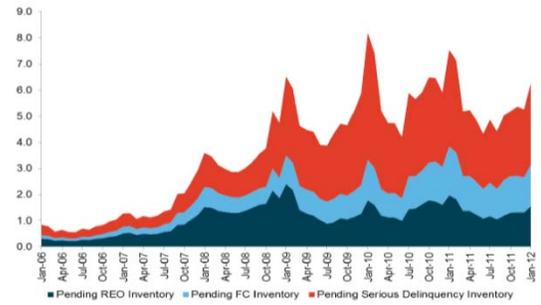
Source: CoreLogic Inc.

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Pipeline of Distressed Properties Is Still Full

Months Supply of Likely Distressed Sales

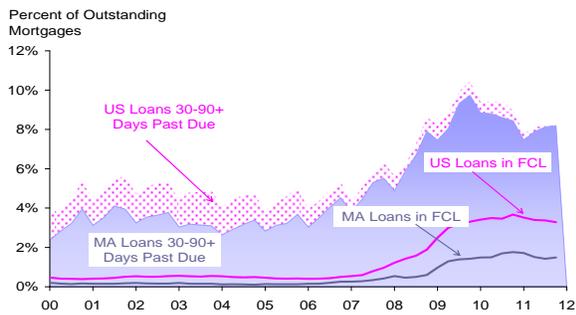


Source: CoreLogic

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MA Mortgage Past Dues Are Like Nation But There Are Fewer Loans in Foreclosure



Sources: Mortgage Bankers Assoc., Haver Analytics

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Commercial Real Estate



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After Mirroring the Residential Market, CRE Prices are Starting to Climb



Sources: Costar, Moody's Investors Service, Standard&Poor's, Fiserv, Inc.
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A Bifurcated Market

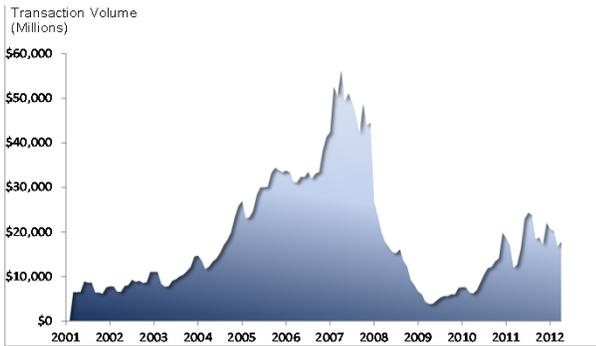


Sources: Ron Kaiser, Ballard Institutional

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Transaction Volume Recovered Rapidly

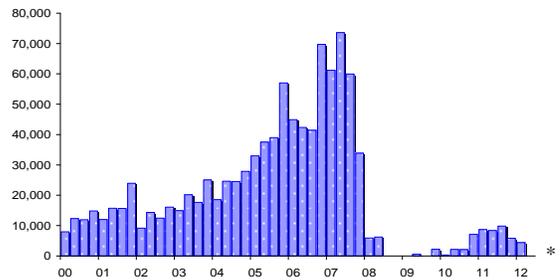


Sources: Real Capital Analytics

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But CMBS Issuance Is Still Lagging

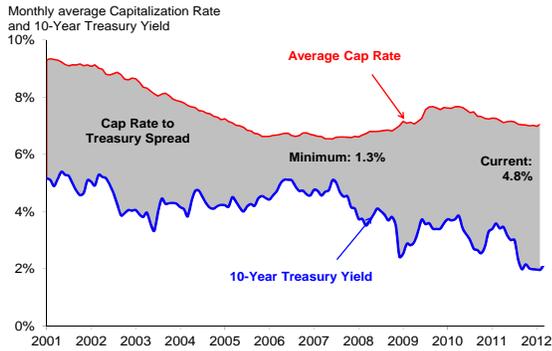


Sources: Commercial Mortgage Alert via Pension Real Estate Association

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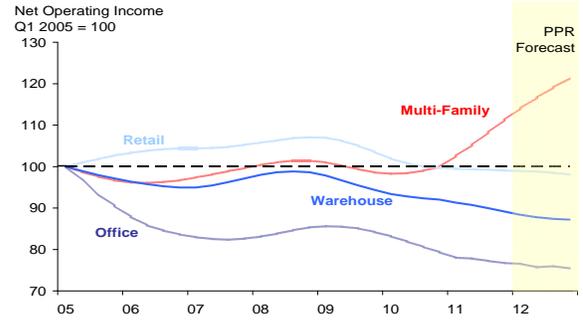
Cap Rate Spreads Reflect Wariness



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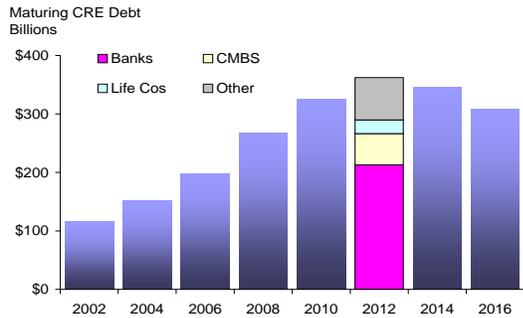
No Relief in Sight for Boston Metro Area Landlords



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Many Loans from the 2007 Vintage Had 5-Year Maturities with Balloon Payments



Source: Trepp

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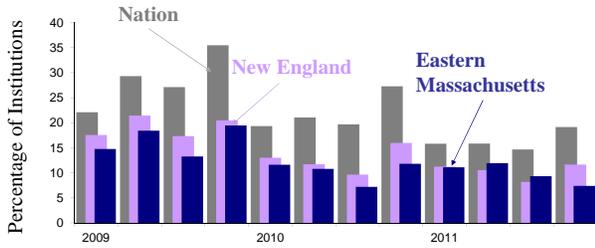
Banking Conditions



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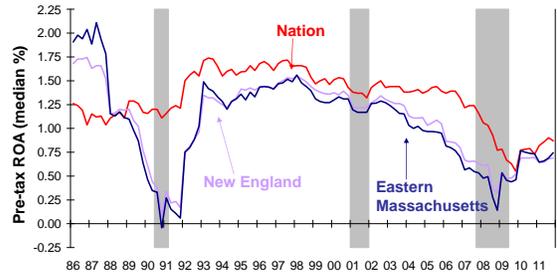
Fewer Institutions Are Posting Losses Compared to U.S.



Source: FDIC. Data through December 31, 2011. Excludes specialist institutions.
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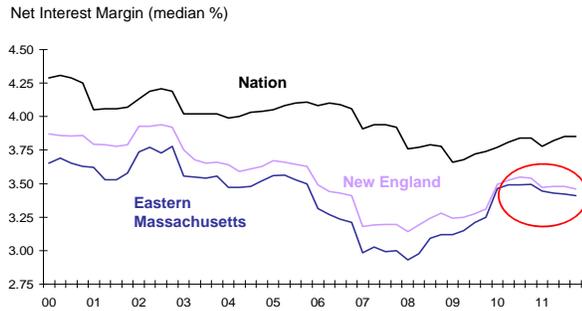
Three Years of Improving ROA...But Still Below the Nation



Source: FDIC, National Bureau of Economic Research/Haver Analytics.
Eastern MA includes Suffolk, Norfolk, Middlesex, Plymouth, Essex, and Bristol Counties.
Data through December 31, 2011. Excludes specialist institutions.



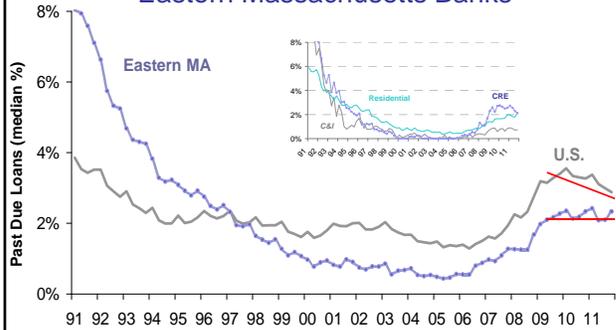
NIMs Steady as Lower Funding Costs Fail to Offset Declining Asset Yields



Source: FDIC. Data through December 31, 2011. Excludes specialist institutions.
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Past Due Levels Not Improving Among Eastern Massachusetts Banks

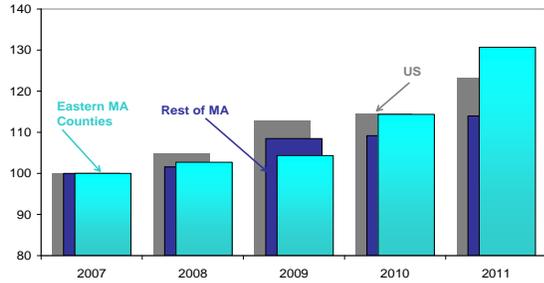


Source: FDIC. Data through December 31, 2011. Excludes specialist institutions.
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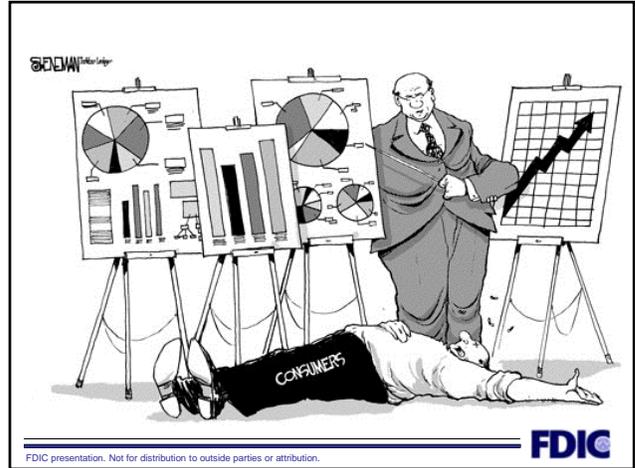
Growth in Deposits Has Been Strong in Eastern Massachusetts

Total Deposits
Indexed: June 2007 = 100



Source: FDIC, Summary of Deposits (SOD) data as of June 30th of each year.

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Questions?

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