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## **Tannenwald of Boston Federal Reserve speaks to CRE, Part 1**

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The N.E./Upstate N.Y. Chapter held its first luncheon event of 2009 at 303 Congress St., Boston on Jan. 13th. Approximately 31 CREs and guests attended a closed conference setting to have a unique access to Robert Tannenwald, a vice president of the Federal Reserve Bank of Boston and the director of its N.E. Public Policy Center, a think tank. He has been with the Boston Fed for 26 years and has published extensively in the field of public finance. He is the immediate past president of the National Tax Association and serves on the board of the N.E. Economic Partnership. His presentation focused on "Where we've been, where we are at and where are we going?" with the U.S. and mostly N.E. economies.

Tannenwald began his presentation by stating that N.E. has been through this type of recessionary economy before but was admittedly upbeat on the future of the economy despite the current chaotic times. He concluded that we will continue with the rough times but the economy would not be so bad in N.E.

### **Employment Growth in N.E.**

Tannenwald stated that in the late 1980s and early 1990s N.E. was also in bad times but N.E. tends to hold up better than the U.S. average. N.E.'s last recession was deeper but slower. Relative to trends, N.E. is doing pretty well and is chronically a slow grower. N.E. grows slower in employment than the US and in fact, shrank in the last few years but not as much as the U.S. in the last few months.

New England holds its own with production and employment growth. There is a lot of diversity among the New England states but Rhode Island is the sad story of the region. For Dec. '08, R.I. employment change was 9.3% and has had negative growth. Other extremes include N.H. as it does very well and is the sea biscuit of New England- it comes out of the gates slow and then takes off like a "shot."

### **New England Economy**

The region has fared better than the rest of the U.S. with sectors such as information, professional and manufacturing. Growth has been either flat or growing over the last few years and, yes, recently it has been contracting but not as much as the rest of the U.S. The predominant economy has been manufacturing with growth in electrical components, hi tech components and in the electrical sector in general. The construction sector isn't experiencing employment contraction as bad as the rest of the U.S.

### **Growth and Personal Income**

New England has held its own here as well. From 3Q '07 to 3Q '08, Mass. is growing more than the rest of the U.S. with personal income. New England as a region matches the rest of the U.S. with personal income growth. Mass. has grown faster than the U.S.; R.I. was doing great but then got derailed. Vermont and Maine have struggled. Conn. is weak with income growth.

#### Monthly Purchase: Only Home Price Indices

Boston has a lower composite index drop but not as much as the U.S. Boston's rate of decline has slowed in the last 2 months and has had a much less housing price change as compared to the worst markets; Las Vegas, L.A., Miami and San Francisco.

#### Total Revenue Collection

Nov. Fiscal '08-'09

F'08 had positive revenue collection. F'09 was negative for Mass. (-1.3%) and in F'08 Mass. was 6% so tax increases in Mass. are being discussed. N.H. is down -7.1% but F'08 was 5.1%

#### Consumer Confidence

1985 is the U.S. base index at 100 and right now its 26 or 27; no one is spending even if they have the money because people aren't sure if they will have a job next month. Feds are trying to make money cheap but no one is purchasing. The current low confidence level however is comparable to 1990.

Part 2 will appear in the March 13th edition of the New England Real Estate Journal in the Appraisal & Consulting section.

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