



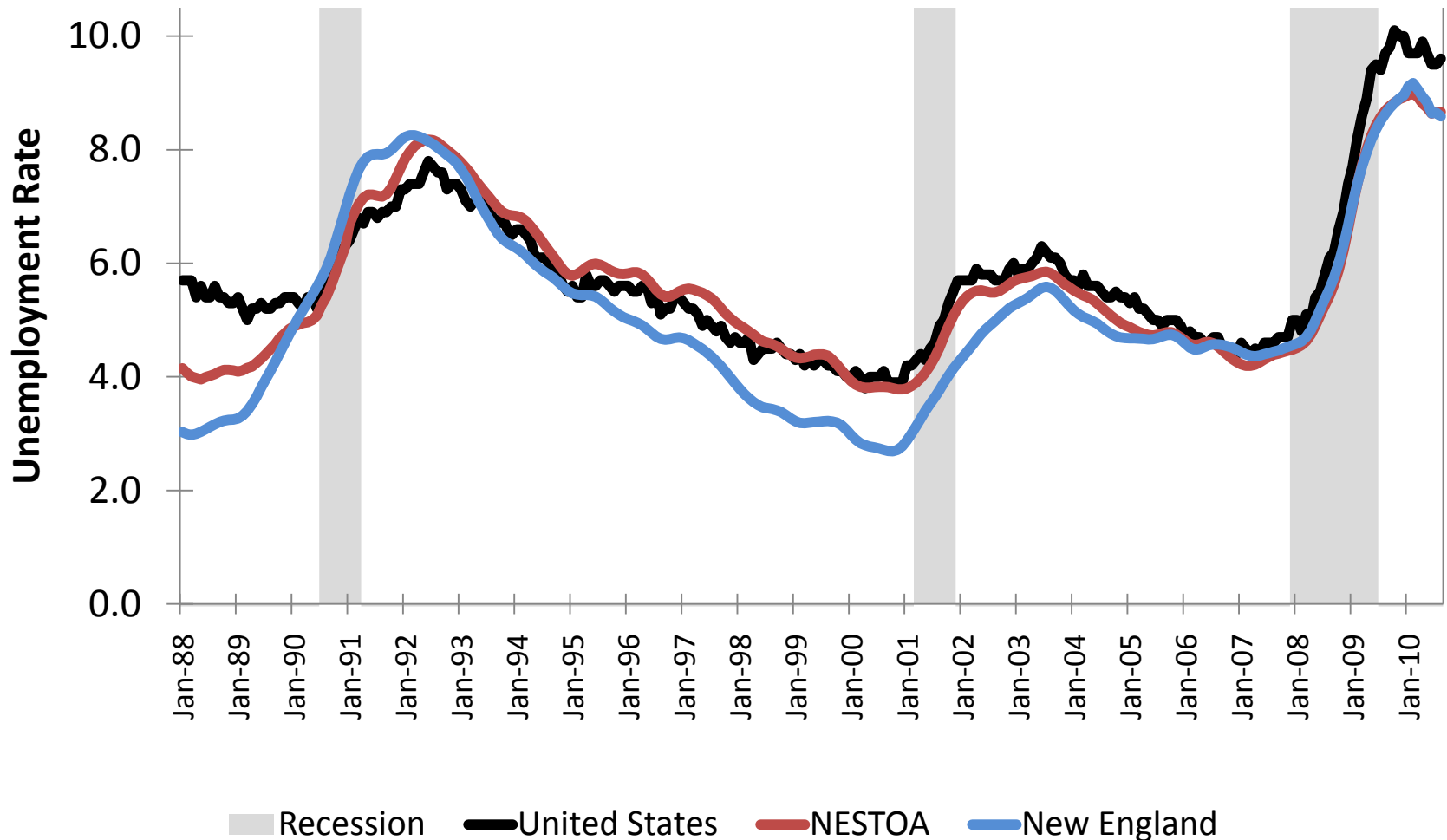
# Recession and Recovery: A New England Perspective

Presented at the 2010 NESTOA Annual Conference  
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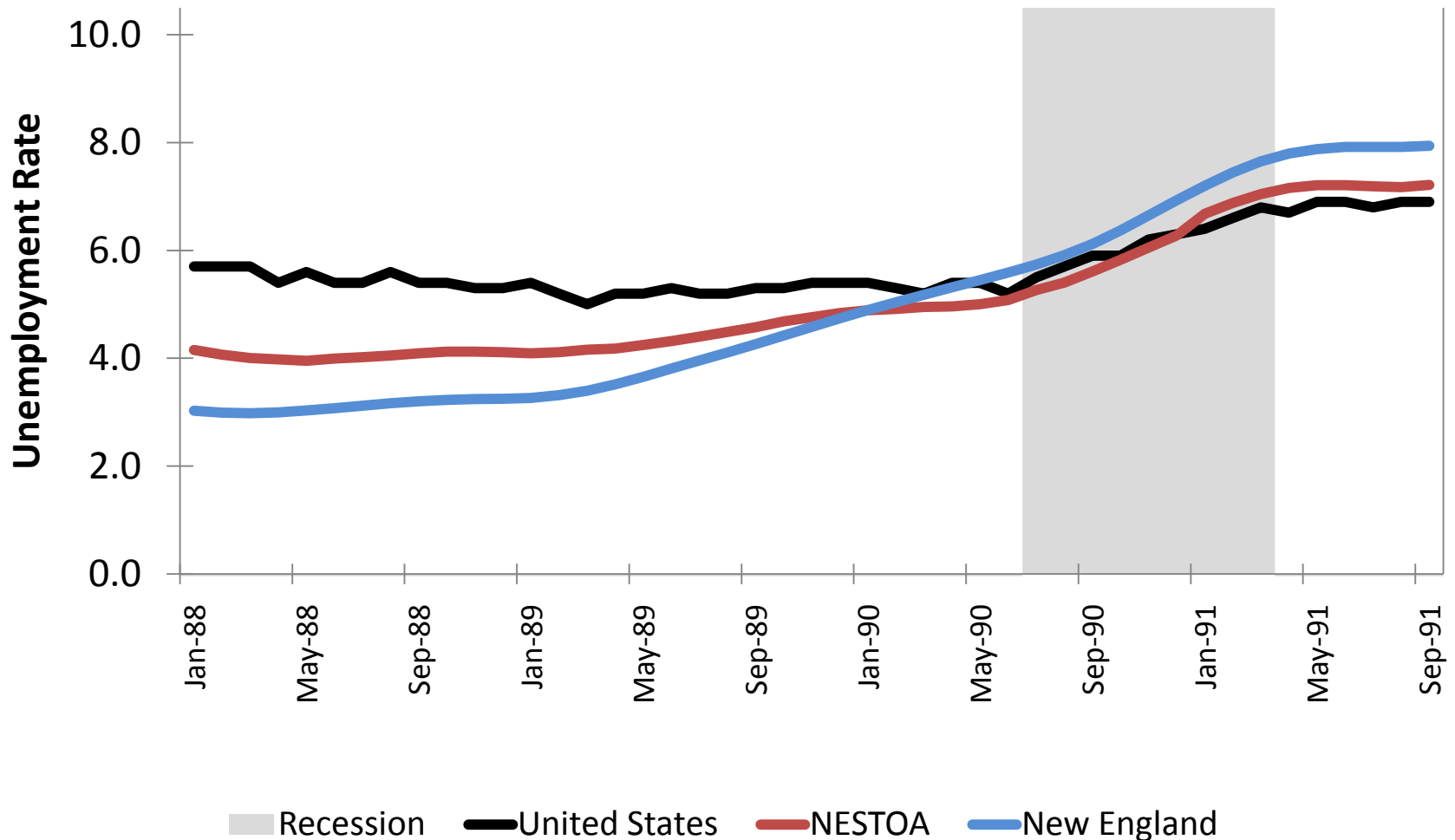
# The 2007-09 recession was long and severe.

## Unemployment Rate Since 1988



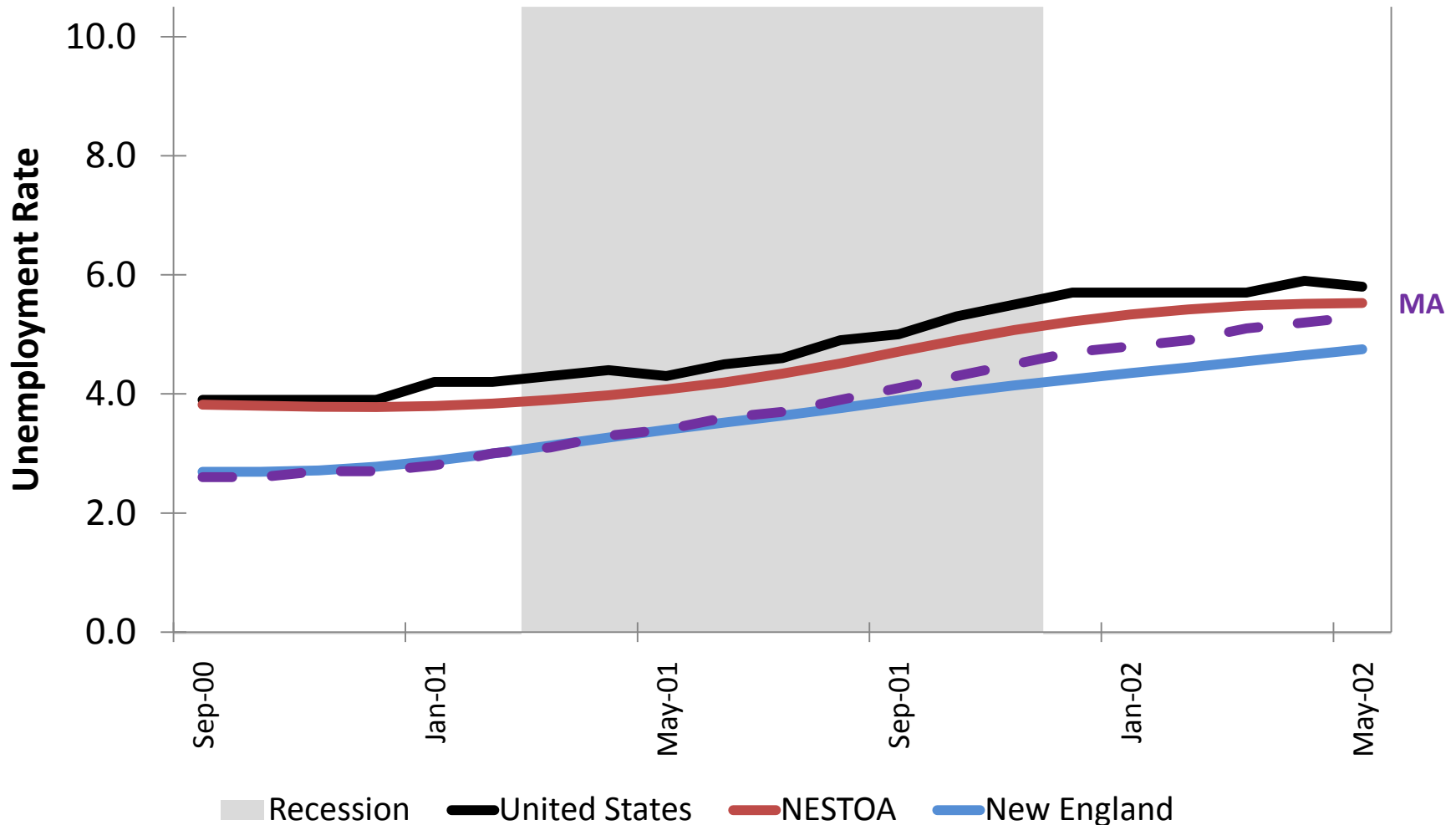
# The Northeast historically has been hit harder than other regions...

Unemployment Rate During the 1990-91 Recession



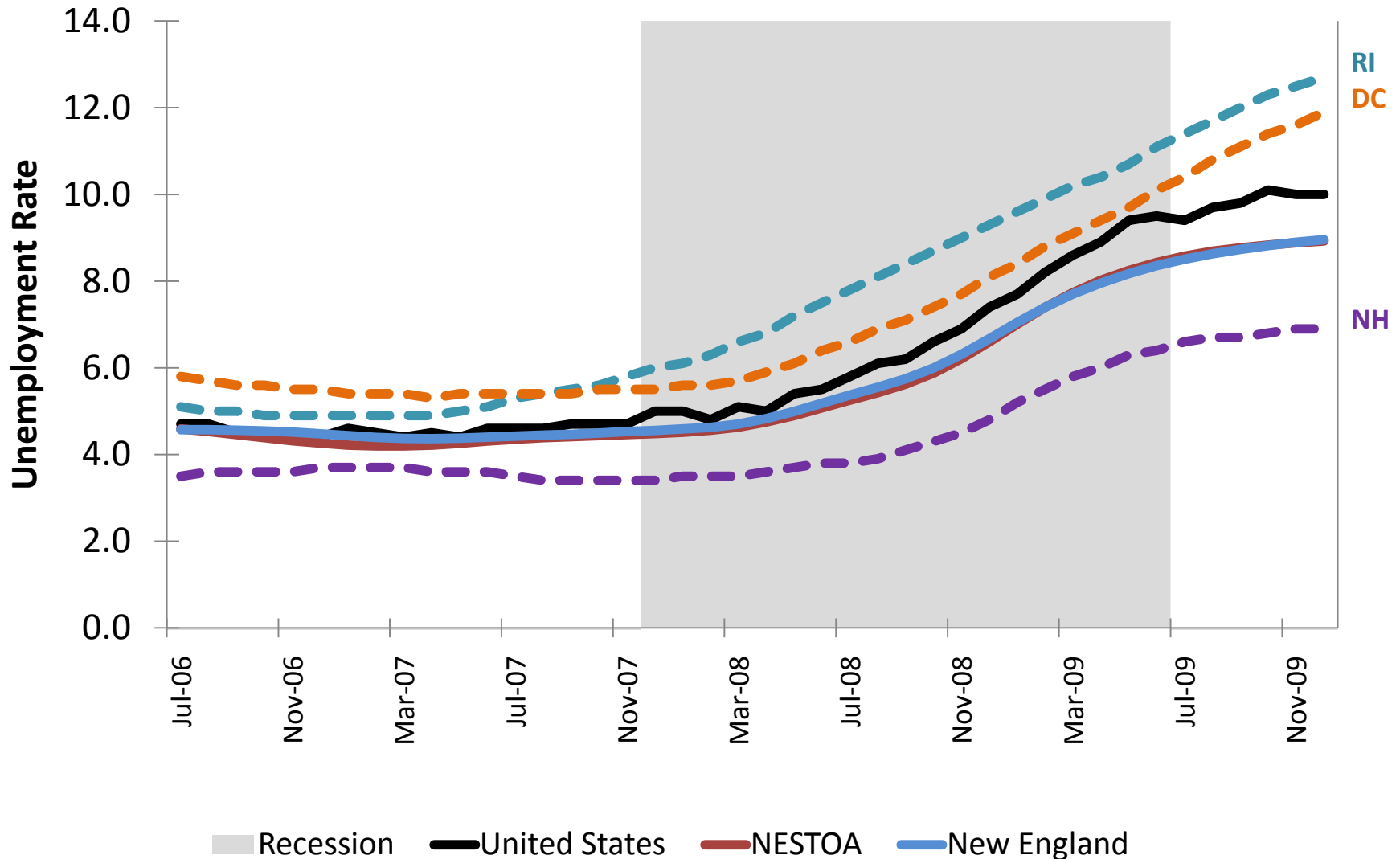
# The Northeast has historically been hit harder than other regions...

## Unemployment Rate During the 2001 Recession



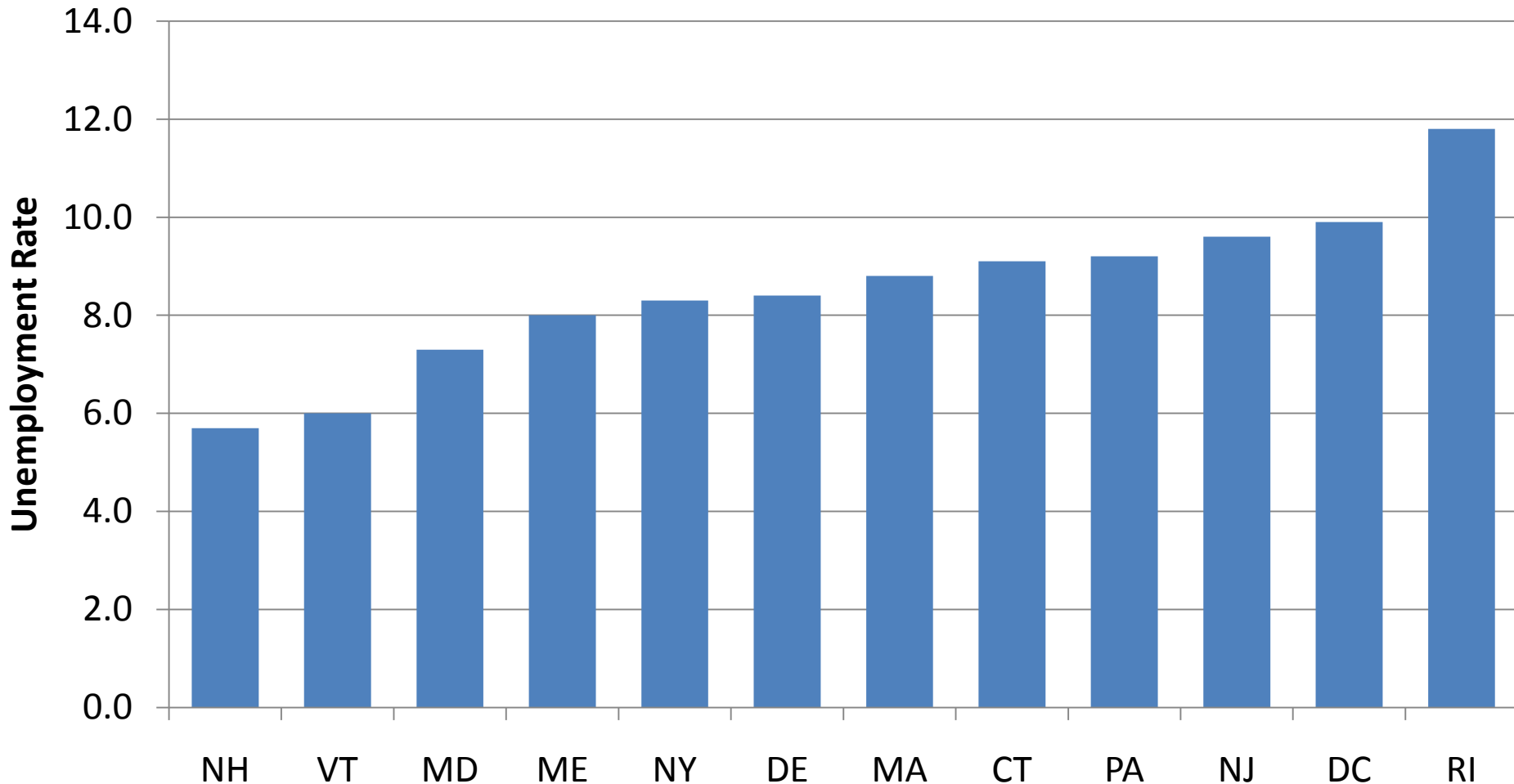
# ...but not during the most recent recession.

## Unemployment Rate During the 2007-09 Recession



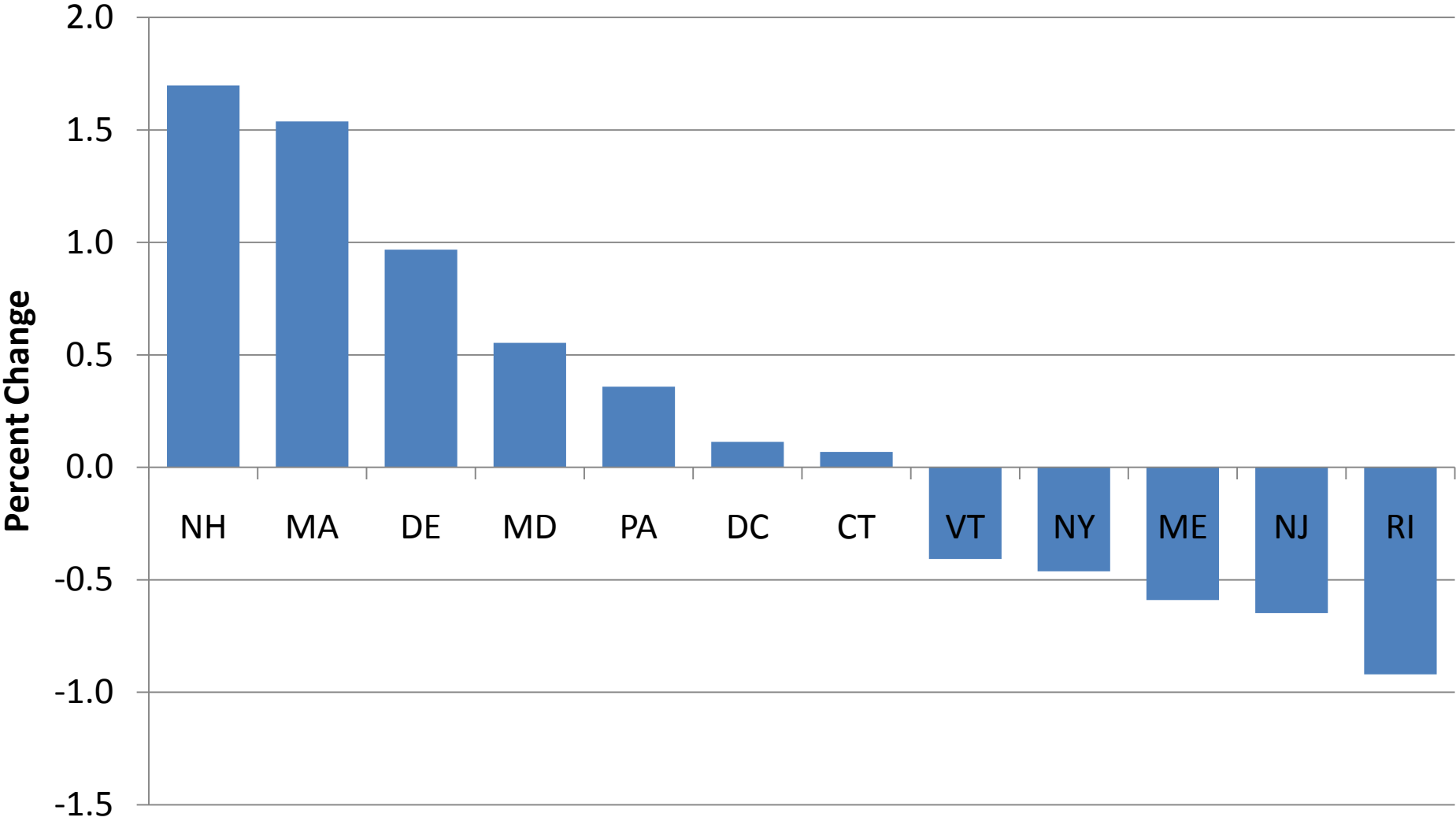
# High unemployment is still a problem for most NESTOA states.

Current Unemployment Rates in NESTOA States, August 2010



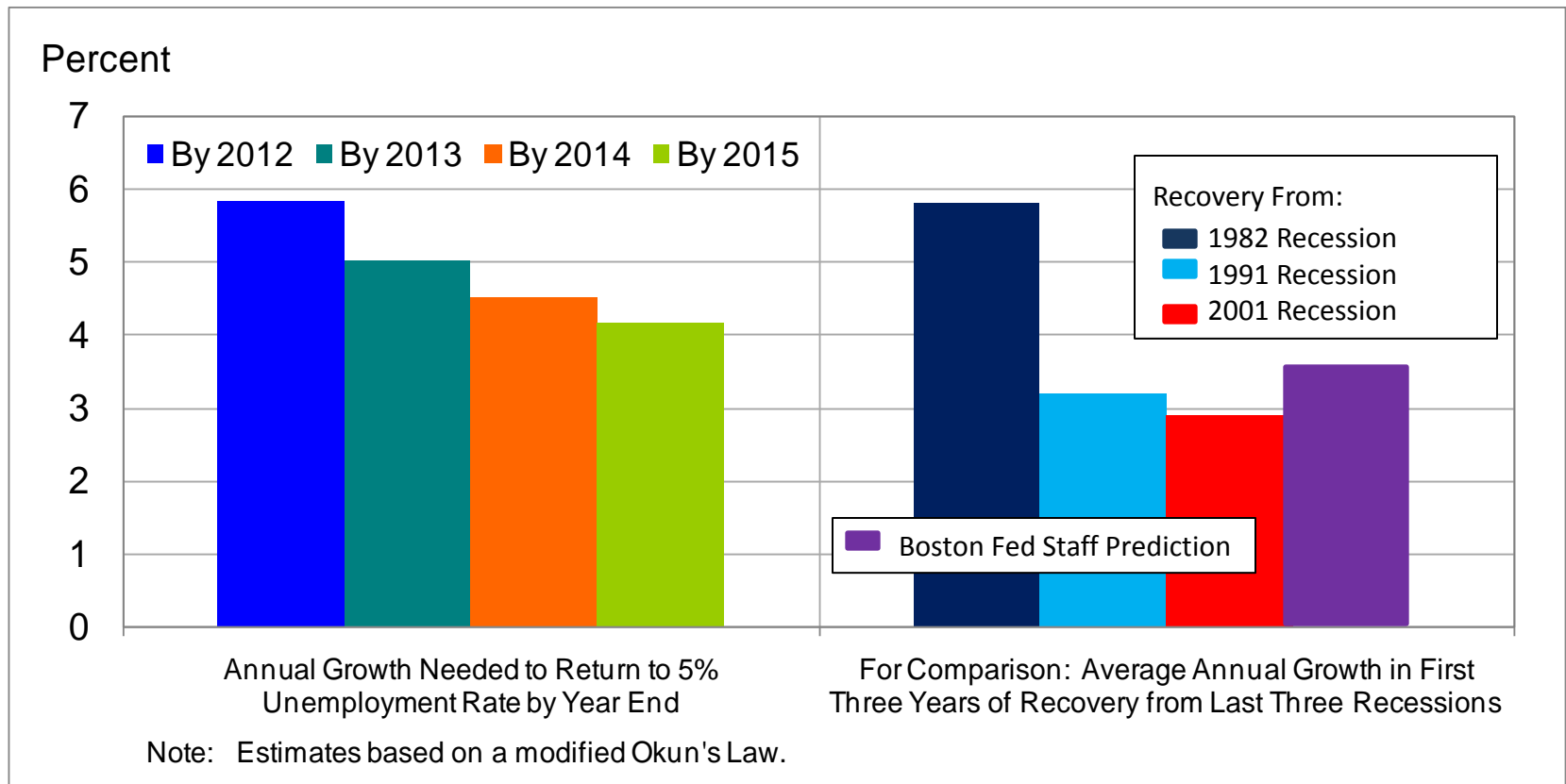
# Pace of economic recovery has varied across NESTOA states.

Percent Change in Payroll Employment From August 2009 to August 2010



# The road to economic recovery is likely to be long.

Estimates of Annual Real GDP Growth Needed to Return to a 5% Unemployment Rate



Source: Simulations cited by Federal Reserve Bank of Boston President Eric S. Rosengren, *Considering the Routes to a Policy Destination*, Speech to The Money Marketeers of New York University, May 5, 2010.

# Federal Reserve press release of 9/21 cites multiple reasons for slow economic recovery.

- Pace of recovery in output and employment has slowed in recent months.
- Household spending is increasing gradually but remains constrained by high unemployment, modest income growth, lower housing wealth, and tight credit.
- Business spending on equipment and software is rising less rapidly than earlier in the year.
- Employers remain reluctant to add to payrolls.
- Housing starts are at a depressed level.
- Bank lending has continued to contract, but at a reduced rate in recent months.
- Pace of economic recovery is likely to be modest in the near term.

# Economic recovery won't feel like fiscal recovery for the states.



- ARRA money goes away.
- Rainy day funds have been drawn down.
- Employment and wages are lagging GDP recovery.
- Enrollments in Medicaid / SCHIP rise when economy is weak.
- Pension and other retirement-related contributions continue to rise.
- Local governments seek more state aid as property tax revenues weaken.

