

New England Economic Conditions

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by Osborne Jackson, Matthew Sexton, and Mike Corbett

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Federal Reserve Bank of Boston

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Osborne Jackson and Matthew Sexton

1. Payroll Employment

- The region exhibited moderate employment growth in April 2023, exceeding its pre-pandemic employment benchmark.
- Since the onset of the pandemic and over the past year, job growth in the professional and business services sector has helped drive overall employment growth in New England.

Payroll employment in New England grew moderately in April 2023, adding 1,600 jobs during the month. With this growth, the region met and surpassed its pre-pandemic employment benchmark (Exhibit 1). However, employment growth was slower in the region (0.0 percent) than in the nation as a whole (2.2 percent) in April and over the past year (not shown). Among New England states, New Hampshire, Maine, and Massachusetts have grown beyond their pre-pandemic employment benchmarks, but Connecticut, Vermont, and Rhode Island have not yet returned to their February 2020 employment levels.

Employment growth in New England continued to vary across sectors (Exhibit 2). The sector reflecting professional and business services exhibited the largest job growth since the start of the pandemic (7.6 percent) and second-largest job growth over the past year. Leisure and hospitality saw the largest growth over the past year (not shown), but employment in that sector in April 2023 remained lower than its February 2020 benchmark (5.6 percent lower), which is the largest shortfall among sectors.

2. Unemployment and Labor Force Participation

- The low unemployment rate in New England aligned closely with the US rate and was broadly consistent with patterns observed for continued claims of unemployment insurance.
- Labor force participation in the region, while surpassing the national rate, remained relatively stagnant and below the pre-pandemic trend.

Unemployment in New England was 3.3 percent in April 2023, representing a year-over-year decline of 0.2 percentage point and falling just below the concurrent national rate of 3.4 percent (Exhibit 3). Each New England state experienced similar labor market tightness (Exhibit 4), with New Hampshire presenting the region's lowest unemployment rate (2.1 percent) and Connecticut exhibiting the highest rate (3.8 percent).

Although New England's unemployment rate decreased over the past year, average weekly initial claims of unemployment insurance (Exhibit 5) rose markedly (166 percent) compared with the modest growth in claims at the national level during this period (11 percent). High year-over-year growth of initial claims in Massachusetts (335 percent) drove the unexpected regional trend, but the state's Department of Unemployment Assistance attributed much of that growth to a spike in false claims.¹ Consistent with unemployment rate patterns, no regional spike was observed for average weekly continued claims of unemployment insurance (Exhibit 6).

New England's labor force participation rate of 64.0 percent in April 2023 remained above the US rate of 62.6 percent (Exhibit 7). However, both rates remained below pre-pandemic levels and have been relatively stagnant, as demonstrated by fluctuations since September 2022 that fall within narrow ranges of 0.2 percentage point for the region and 0.3 percentage point for the nation. Sluggish participation rates at the regional and national levels have been ascribed to factors such as population aging and increased retirements.²

3. Labor Costs

- While nominal labor costs grew for private industry workers in New England, real labor costs fell.

In the first quarter of 2023, New England experienced year-over-year growth in nominal labor costs for private industry workers (Exhibit 8), whether the analysis involves wages and salaries (3.9 percent) or total compensation (4.2 percent). For both measures, this regional growth in nominal labor costs was below the corresponding national growth rates. When inflation is taken into account, the region's private industry workers saw year-over-year declines in wages and salaries (–0.4 percent) and total compensation (–0.2 percent). The latter decrease matched the US trend, while the former decrease contrasted with a slight annual rise in real wages and salaries in the nation (0.1 percent).

4. Inflation

- Inflation for New England was outpaced by price growth in the nation.
- Price growth for food, shelter, and fuel and utilities contributed disproportionately to the region's inflation rate.

¹ Sean P. Murphy, "Massachusetts Again Targeted by Thieves Trying to Steal Unemployment Benefits," *Boston Globe*, May 18, 2023.

² Montes, Joshua, Christopher Smith, and Juliana Dajon. 2022. "The Great Retirement Boom: The Pandemic-Era Surge in Retirements and Implications for Future Labor Force Participation," Finance and Economics Discussion Series 2022-081. Washington: Board of Governors of the Federal Reserve System.

In April 2023, the inflation rate based on the Consumer Price Index in New England was outpaced by price increases in the United States, with year-over-year growth of 3.8 percent and 4.9 percent, respectively (Exhibit 9). Both annual growth rates have generally decreased since the second half of 2022, although April 2023 exhibited a small uptick for the region (0.2 percentage point) compared with a slight decline for the nation (–0.1 percentage point). Rising prices of food, shelter, and fuel and utilities contributed disproportionately to the observed inflation rate in New England (Exhibit 10). Still, consistent with declining inflation rates, year-over-year price growth for fuel and utilities in the region was much lower at 6.5 percent in April 2023 than in the previous quarter, when it was roughly three to four times as large (not shown). Core inflation in the region (3.9 percent) closely resembled the overall inflation rate, indicating comparable price growth for food and energy items versus all other components.

5. House Prices

- House prices increased more rapidly in the region than in the nation.

Purchase-only house prices, as measured by the Federal Housing Finance Agency, increased year-over-year for New England in the first quarter of 2023 by 6.2 percent, exceeding the corresponding US rate of 4.3 percent (Exhibit 11). Within the region, house-price growth was highest in Maine and Vermont (both 8.8 percent) and lowest in Massachusetts (4.0 percent), reflecting a disparity between the north and south of New England. A low inventory has been cited as a key factor contributing to rising house prices.³

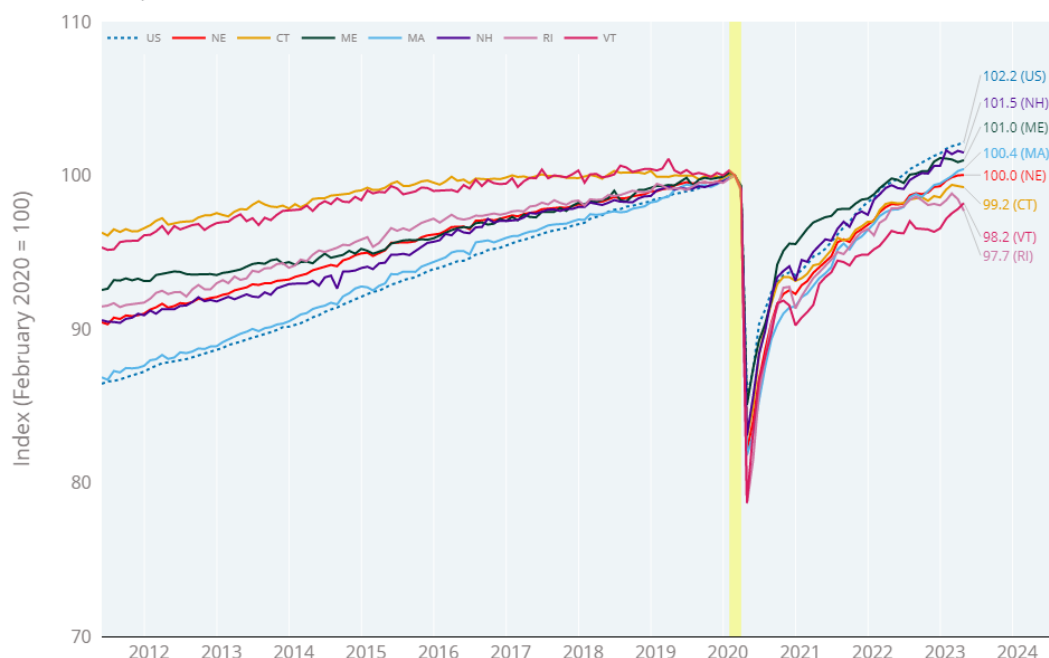
6. Consumer Confidence

- Consumers in New England were more confident in May 2023 than they were a year earlier.

Consumer confidence in May 2023 experienced a year-over-year increase in New England but a slight decline in the United States (Exhibit 12). In the region, this increase was driven by improved sentiment about the present, as consumer expectations about the future fell modestly during this period.

³ Rachel Siegel, “A Problem for the Housing Market: People Won’t Quit Their Cheap Mortgages,” *Washington Post*, May 14, 2023.

EXHIBIT 1:
Non-Agricultural Employment
to April 2023



Source: U.S. Bureau of Labor Statistics/Haver Analytics.

Note: Data are seasonally adjusted. Tick marks correspond to January of the given year. Yellow bars indicate recessions.

EXHIBIT 2:
Percent Change in Payroll Employment by Supersector
to April 2023

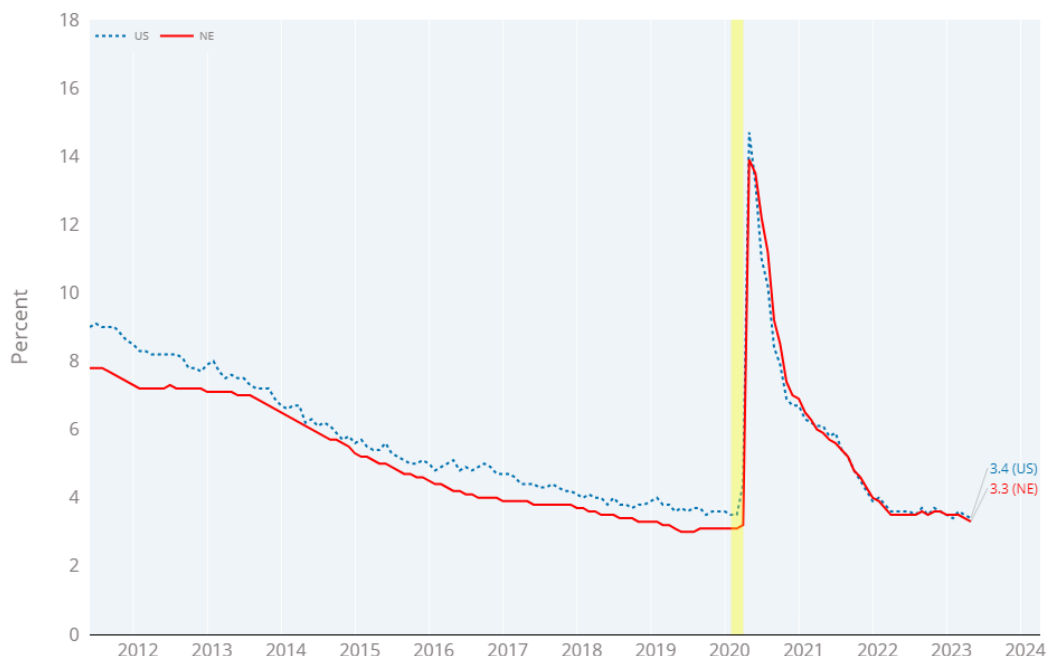
	United States		New England	
	Net Change	% Change	Net Change	% Change
Educational & Health Services	563,000	2.3%	-11,600	-0.7%
Professional & Business Services	1,508,000	7.0%	81,900	7.6%
Trade/Transport/Utilities	1,132,000	4.1%	-2,700	-0.2%
Government	-301,000	-1.3%	-20,200	-2.0%
Leisure & Hospitality	-402,000	-2.4%	-44,600	-5.6%
Manufacturing	206,000	1.6%	-7,500	-1.3%
Finance, Insurance & Real Estate	253,000	2.9%	-1,700	-0.4%
Construction	295,000	3.9%	17,600	5.5%
Other Services	-96,000	-1.6%	-12,000	-4.1%
Information	188,000	6.5%	2,400	1.6%

Source: U.S. Bureau of Labor Statistics/Haver Analytics.

Note: Base period is February 2020. New England figure for "Information" excludes RI, for which data are unavailable.

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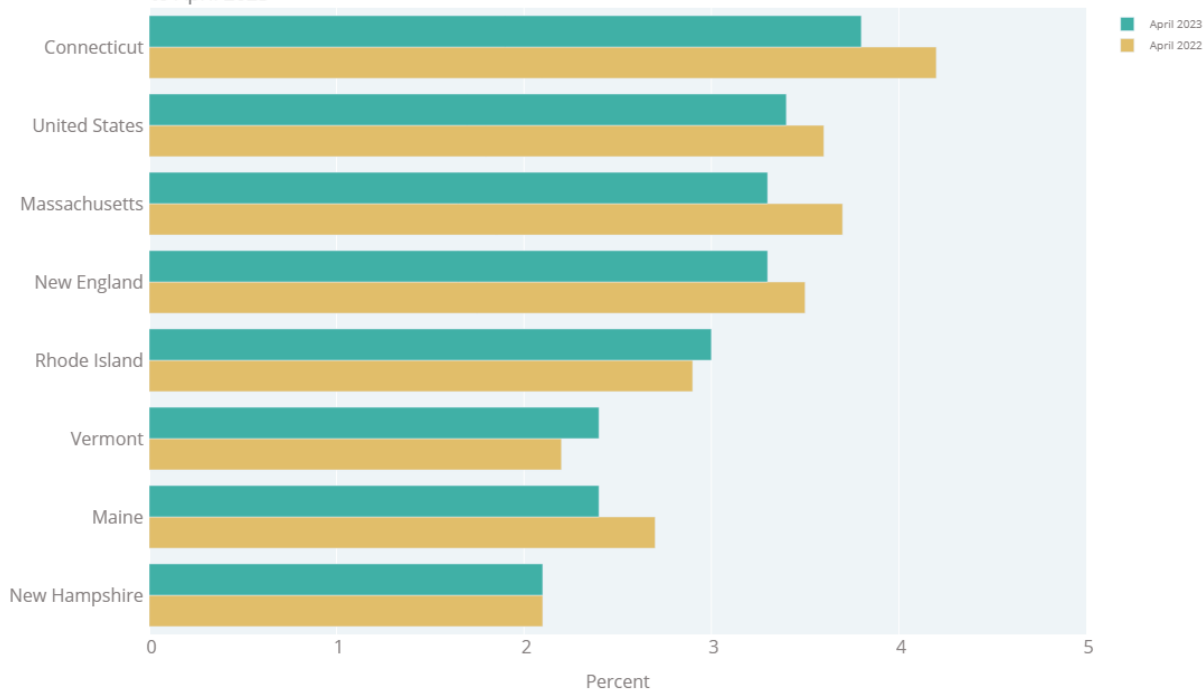
EXHIBIT 3:
Unemployment Rates
to April 2023



Source: U.S. Bureau of Labor Statistics/Haver Analytics.

Note: Data are seasonally adjusted. Tick marks correspond to January of the given year. Yellow bars indicate recessions.

EXHIBIT 4:
Unemployment Rates in New England States
to April 2023



Source: U.S. Bureau of Labor Statistics/Haver Analytics.
Note: Data are seasonally adjusted.

EXHIBIT 5:

Average Number of Initial Claims per Week in New England States to April 2023

	April 2022	April 2023	Percent Change
United States	216,000	239,000	11%
New England	9,731	25,898	166%
Connecticut	2,897	3,273	13%
Maine	597	665	11%
Massachusetts	4,627	20,118	335%
New Hampshire	373	499	34%
Rhode Island	976	1,051	8%
Vermont	260	292	12%

Source: U.S. Department of Labor/Haver Analytics.

Note: Data are seasonally adjusted.

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EXHIBIT 6:

Average Number of Continued Claims per Week in New England States to April 2023

	April 2022	April 2023	Percent Change
United States	1,505,000	1,828,000	21%
New England	80,051	107,560	34%
Connecticut	17,855	20,273	14%
Maine	4,736	5,680	20%
Massachusetts	47,523	69,263	46%
New Hampshire	1,701	2,207	30%
Rhode Island	6,258	7,857	26%
Vermont	1,977	2,280	15%

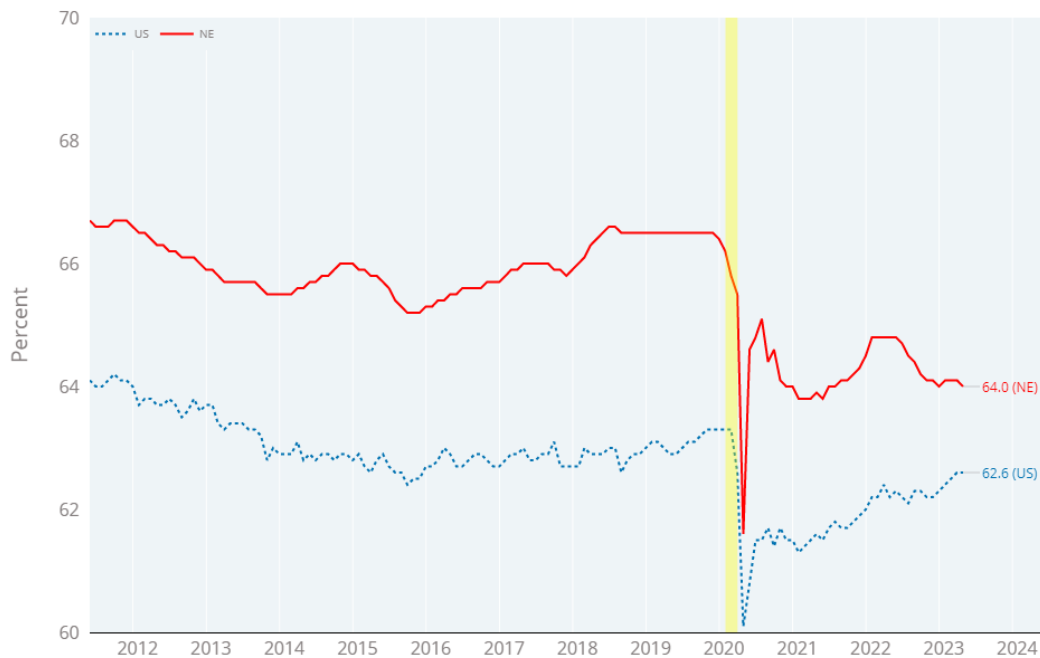
Source: U.S. Department of Labor/Haver Analytics.

Note: Data are seasonally adjusted.

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EXHIBIT 7:

Labor Force Participation to April 2023



Source: U.S. Bureau of Labor Statistics/Haver Analytics.

Note: Data are seasonally adjusted. Tick marks correspond to January of the given year. Yellow bars indicate recessions.

EXHIBIT 8:

Real and Nominal Employment Cost Indexes by Region (PIW) to Q1 2023

	12-Month Percent Change			
	Wages and Salaries		Total Compensation	
	Current Dollar	Constant Dollar	Current Dollar	Constant Dollar
United States	5.1%	0.1%	4.8%	-0.2%
New England	3.9%	-0.4%	4.2%	-0.2%
Middle Atlantic	4.5%	0.2%	4.5%	0.2%
South Atlantic	6.3%	0.9%	5.8%	0.5%
East South Central	5.0%	-0.4%	4.5%	-0.8%
West South Central	4.2%	-1.0%	4.3%	-1.0%
East North Central	4.8%	-0.2%	4.7%	-0.1%
West North Central	4.2%	-0.6%	3.9%	-0.9%
Mountain	5.6%	0.5%	5.2%	0.0%
Pacific	5.6%	0.4%	5.0%	-0.1%

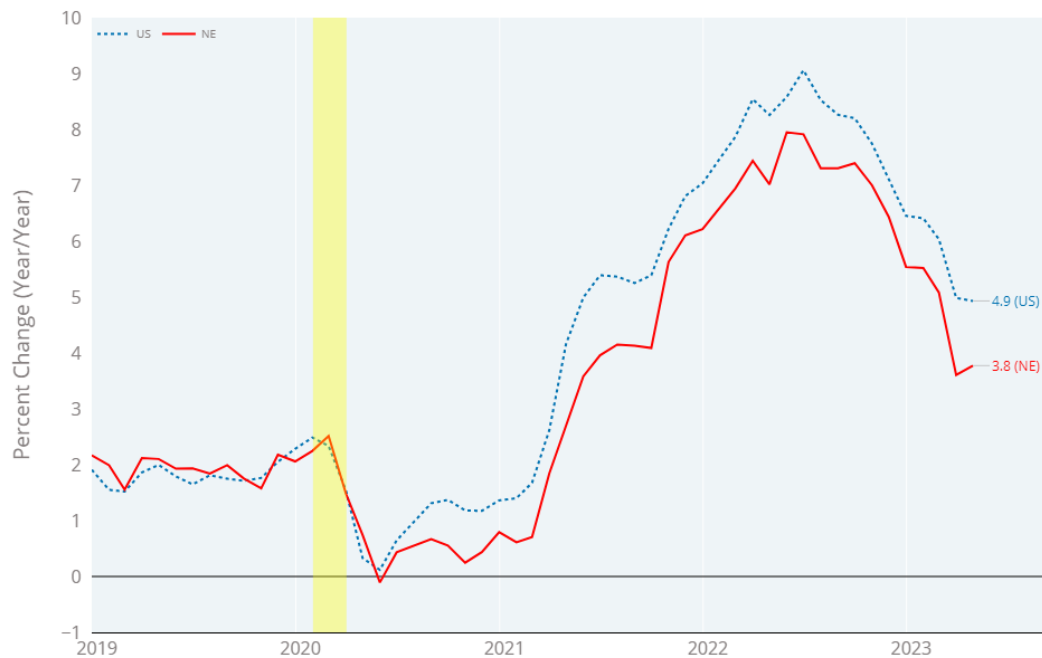
Source: U.S. Bureau of Labor Statistics/Haver Analytics.

Note: Data are not seasonally adjusted. PIW == Private Industry Workers

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EXHIBIT 9:

Consumer Price Index to April 2023



Source: U.S. Bureau of Labor Statistics/Haver Analytics.

Note: Tick marks correspond to January of the given year. Yellow bars indicate recessions.

EXHIBIT 10:

Percent Change in Consumer Prices to April 2023

	United States		New England	
	Last Month March 2023	Last Year April 2022	Last Month March 2023	Last Year April 2022
All Items	0.5%	4.9%	0.3%	3.8%
Food	0.2%	7.7%	0.1%	8.0%
Shelter	0.4%	8.1%	0.6%	6.9%
Fuel & Utilities	-1.3%	4.8%	-3.7%	6.5%
Transportation	2.1%	0.2%	2.0%	-0.7%
Medical	-0.1%	1.1%	-0.2%	0.1%
Recreation	0.5%	5.0%	0.2%	-1.7%
Education	-0.0%	1.6%	-0.2%	-0.5%
All, Less Food/Energy	0.5%	5.5%	0.5%	3.9%

Source: U.S. Bureau of Labor Statistics/Haver Analytics.

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