

New England Economic Conditions

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by Osborne Jackson, Matthew Sexton, and Greg Longfield

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Federal Reserve Bank of Boston

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July 11, 2023

Osborne Jackson and Matthew Sexton

1. Payroll Employment

- The region exhibited notable employment growth in May 2023, adding 11,600 jobs during the month.
- Job growth in the leisure and hospitality sector is still recovering from the pandemic, although job growth in the sector over the past year has helped drive overall employment growth in New England.

Payroll employment in New England grew notably in May 2023, adding 11,600 jobs during the month. With this growth, the region continued to exceed its pre-pandemic employment benchmark (Exhibit 1). Employment growth since February 2020 remained slower in the region (0.2 percent) than in the nation as a whole (2.5 percent); however, the growth disparity was smaller over the past year (not shown). Employment in New Hampshire, Maine, and Massachusetts has grown beyond its pre-pandemic benchmarks. In Connecticut, Vermont, and Rhode Island, employment has not yet returned to its February 2020 levels, although employment in Connecticut is closely approaching its pre-pandemic benchmark (0.4 percent below the February 2020 level).

Employment growth in New England differed across sectors (Exhibit 2). The sector reflecting professional and business services exhibited the largest job growth since the start of the pandemic (7.5 percent), followed by the construction and information sectors (5.2 percent and 1.3 percent, respectively). However, over the past year, education and health services exhibited the largest job growth in the region, followed by professional and business services and leisure and hospitality (not shown). In contrast, employment in leisure and hospitality in May 2023 remained below its February 2020 benchmark (5.7 percent lower) and continued to represent the largest shortfall among sectors.

2. Unemployment and Labor Force Participation

- The low unemployment rate in New England was less than the US rate.
- Labor force participation in the region outpaced the national rate in May, but it has remained relatively stationary.

Unemployment in New England was 3.0 percent in May 2023, reflecting a year-over-year decline of 0.5 percentage point and falling below the concurrent national rate of 3.7 percent (Exhibit 3). All New England states experienced similar labor market tightness (Exhibit 4). New Hampshire had the region's lowest unemployment rate (1.9 percent), while Connecticut had the highest rate (3.7 percent).

New England's labor force participation rate of 63.9 percent in May 2023 exceeded the US rate of 62.6 percent. The region's employment-to-population ratio also was higher than the nation's (Exhibit 5). For both New England and the United States, participation rates remained unchanged from April 2023, and year-over-year growth was relatively moderate (an increase of 0.3 percentage point in the US rate and a decrease of 0.9 percentage point in the New England rate).

3. Labor Costs

- While real labor costs fell for private-industry workers in New England, this decline was much smaller in size compared with one year prior.

In the first quarter of 2023, New England experienced year-over-year growth in nominal labor costs for private-industry workers, although this growth rate has declined since the first quarter of 2022 (Exhibit 6). While the region saw nominal growth in wages and salaries (3.9 percent) and total compensation (4.2 percent), accounting for inflation results in year-over-year decreases in those measures for the region's private-industry workers (–0.4 percent for wages and salaries and –0.2 percent for total compensation). However, this decline in real labor costs is much smaller in size compared with the first quarter of 2022, reflecting falling inflation rates. This trend is also evident for the nation, with real wages and salaries showing positive growth in the first quarter of 2023 (0.1 percent). Similar metrics measured more recently also show positive growth.¹

4. Inflation

- Inflation was lower in New England than in the United States as a whole.
- Price growth in the region was driven by increases in food and shelter prices.

In May 2023, the inflation rate based on the Consumer Price Index was lower in New England compared with the United States, with year-over-year price growth of 2.4 percent versus 4.0 percent (Exhibit 7). Annual growth rates declined in May 2023 for the region (–1.4 percentage point) and the nation (–0.9 percentage point), following

¹ Seasonally adjusted real average hourly earnings in the United States increased 0.2 percent year-over-year in May 2023. See Bureau of Labor Statistics, "Real Earnings Summary," *Economic News Release*, June 13, 2023.

the general trend that began in the second half of 2022. Price growth in the region was driven by rising food and shelter prices, as all other product categories experienced a decline, especially transportation and fuel and utilities (Exhibit 8). In contrast, all product categories in the nation except for transportation experienced positive price growth. Core inflation in New England (3.4 percent) surpassed the overall inflation rate, reflecting the influence of climbing shelter prices.

5. House Prices

- New England experienced higher annual house-price growth compared with the nation.
- House-price growth was highest in the north of the region and lowest in the south.

House prices, as measured by the Federal Housing Finance Agency House Price Index, increased year-over-year for New England in the first quarter of 2023 (9.0 percent), exceeding the corresponding national rate (8.1 percent) (Exhibit 9). Among the region's states, house-price growth was highest in Vermont and Maine and lowest in Massachusetts, reflecting a disparity between the north and south of New England that differs from historical trends. Among all US states and Washington, DC, the house-price growth in Vermont and Maine was ranked in the top 10 (fourth and eight, respectively), while growth in Massachusetts ranked 35th (not shown).

Notable additional variation in house-price growth occurred within states, across metropolitan areas (Exhibit 10). For instance, in Maine, house-price growth ranged from 4.9 percent in the Lewiston-Auburn metropolitan area to 15.1 percent in the Bangor metropolitan area.

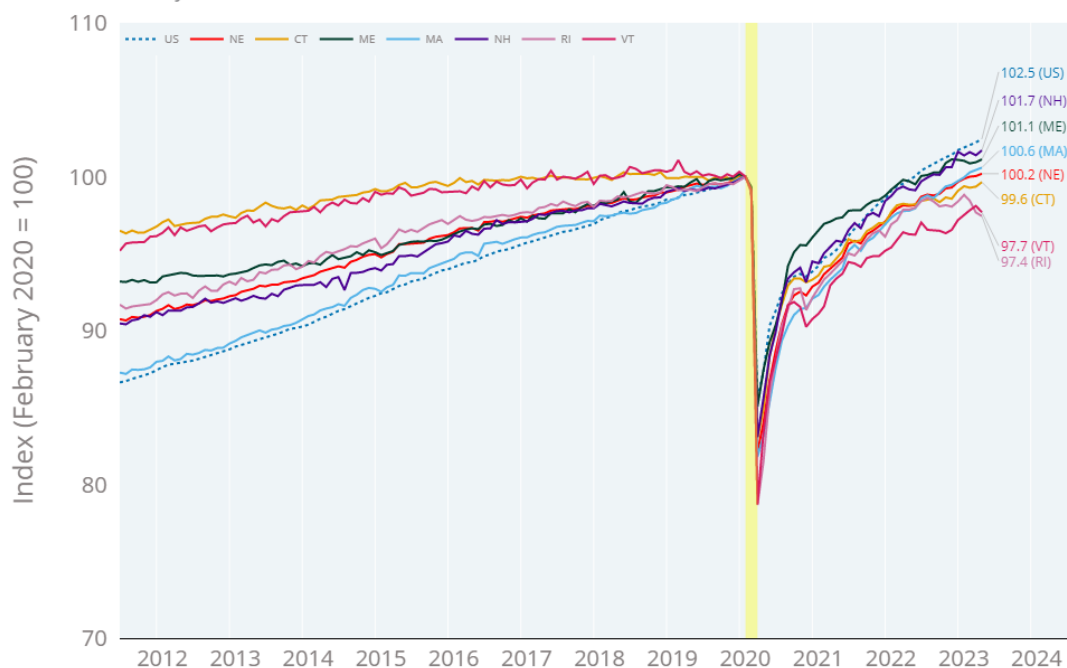
6. Consumer Confidence

- Consumers in New England and the United States were more confident in June 2023 than they were a year earlier.

Consumer confidence experienced a year-over-year increase in both New England and the United States in June 2023 (Exhibit 11). This increase was driven by improved consumer sentiment about both the present situation and the future. Consumer confidence in the region reached its highest level since December 2022, which was also the last time future expectations increased year-over-year in New England (not shown).

EXHIBIT 1:

Non-Agricultural Employment to May 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:

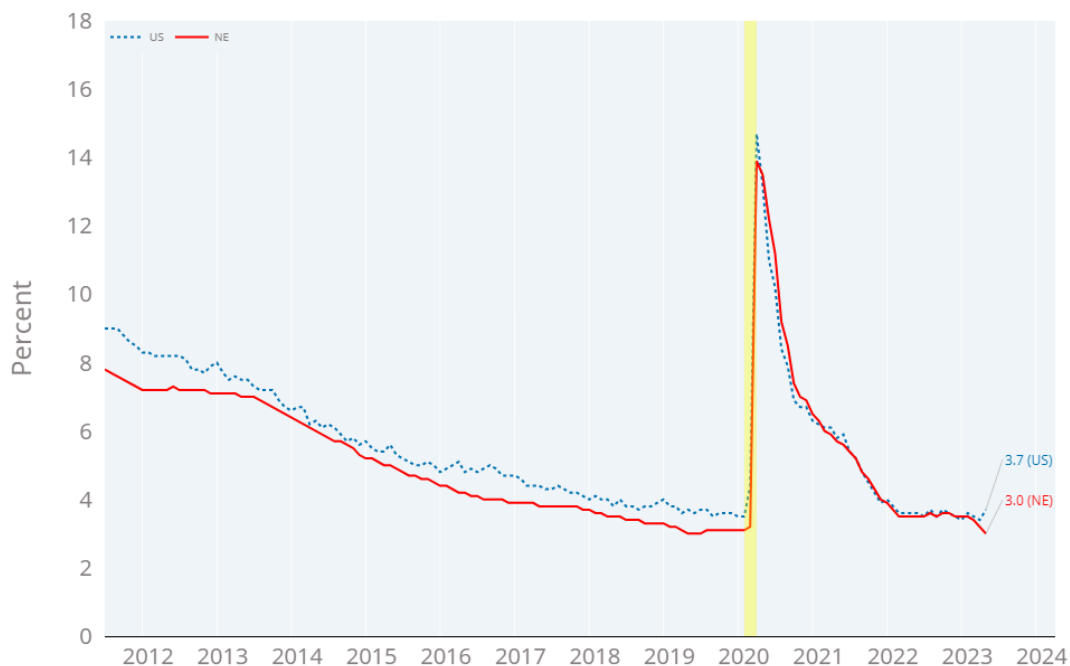
Percent Change in Payroll Employment by Supersector to May 2023

	United States		New England	
	Net Change	% Change	Net Change	% Change
Educational & Health Services	678,000	2.8%	-6,500	-0.4%
Professional & Business Services	1,616,000	7.5%	81,300	7.5%
Trade/Transport/Utilities	1,175,000	4.2%	2,700	0.2%
Government	-209,000	-0.9%	-17,400	-1.7%
Leisure & Hospitality	-349,000	-2.1%	-45,200	-5.7%
Manufacturing	199,000	1.6%	-6,200	-1.0%
Finance, Insurance & Real Estate	261,000	2.9%	-1,500	-0.3%
Construction	320,000	4.2%	16,500	5.2%
Other Services	-90,000	-1.5%	-10,900	-3.8%
Information	176,000	6.1%	2,000	1.3%

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.

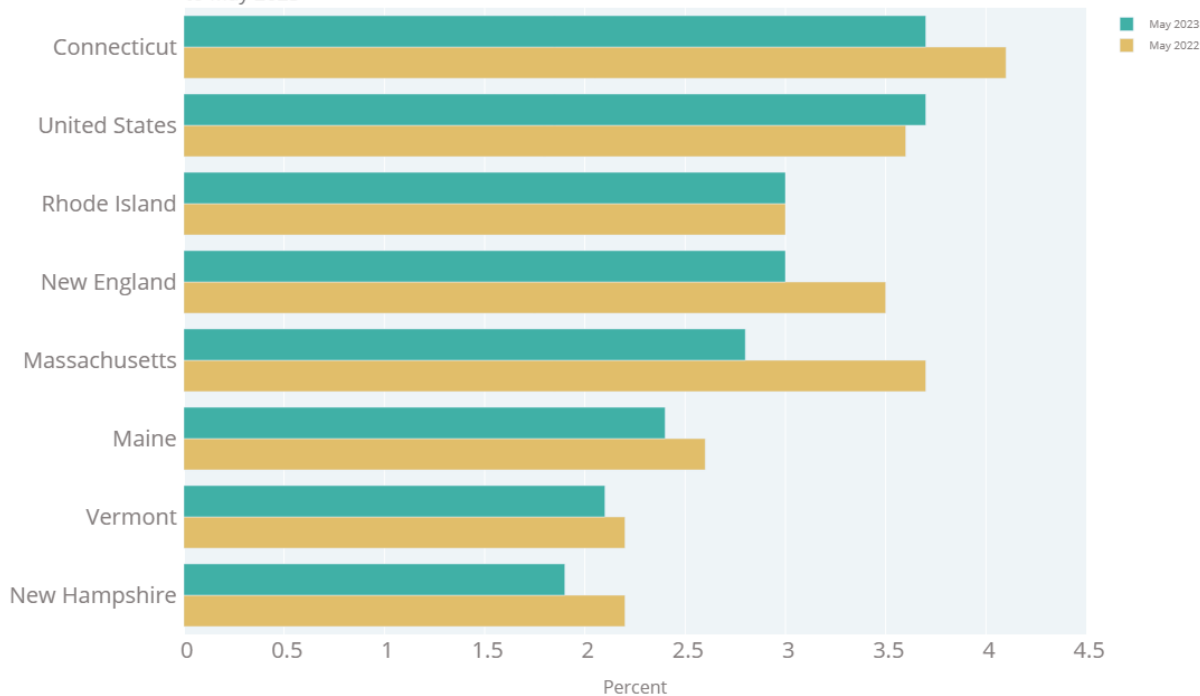
EXHIBIT 3:
Unemployment Rates
 to May 2023



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 May 2023



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

Note: Data are seasonally adjusted.

EXHIBIT 5:

Alternative Measures of Labor-Market Slack in New England States to May 2023

	Labor Force Participation			Unemployment			Employment/Population		
	Current	Last Report	1-Year Ago	Current	Last Report	1-Year Ago	Current	Last Report	1-Year Ago
	May 2023	April 2023	May 2022	May 2023	April 2023	May 2022	May 2023	April 2023	May 2022
United States	62.6%	62.6%	62.3%	3.7%	3.4%	3.6%	60.3%	60.4%	60.0%
New England	63.9%	63.9%	64.8%	3.0%	3.2%	3.5%	62.0%	62.0%	62.5%
Connecticut	64.2%	64.3%	66.0%	3.7%	3.8%	4.1%	61.8%	61.9%	63.3%
Maine	58.3%	58.1%	58.8%	2.4%	2.4%	2.6%	56.9%	56.7%	57.3%
Massachusetts	64.7%	64.8%	65.4%	2.8%	3.1%	3.7%	62.9%	62.8%	63.0%
New Hampshire	65.3%	65.6%	66.3%	1.9%	2.1%	2.2%	64.1%	64.2%	64.8%
Rhode Island	63.1%	62.9%	63.7%	3.0%	3.0%	3.0%	61.2%	61.0%	61.8%
Vermont	63.6%	63.7%	63.2%	2.1%	2.4%	2.2%	62.3%	62.1%	61.8%

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

Note: New England labor-force participation rates are calculated using state level data.

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EXHIBIT 6:

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

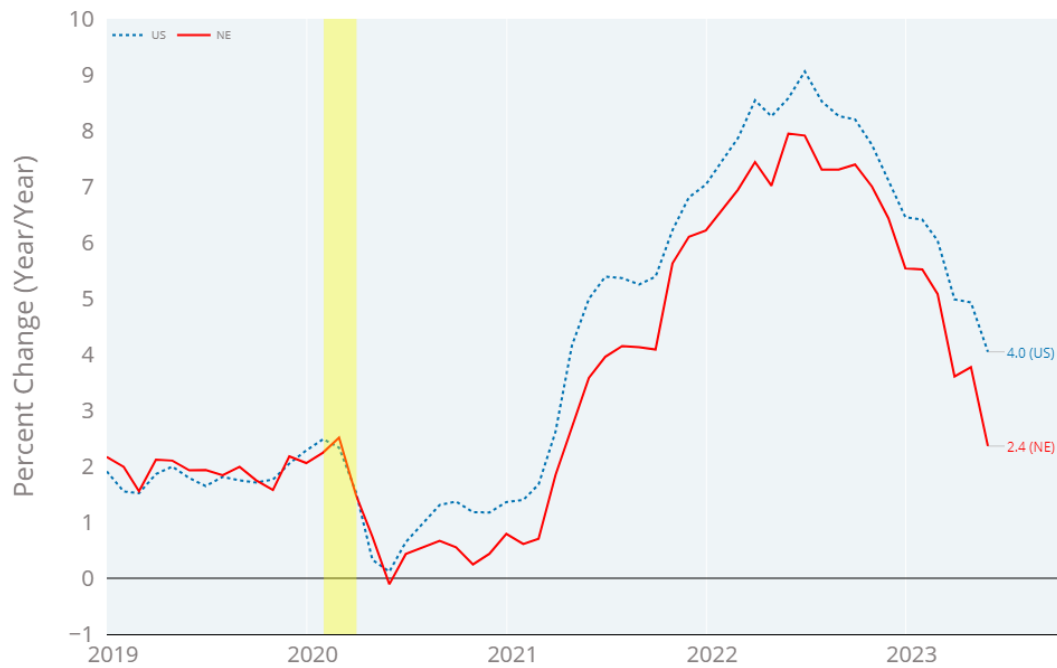
	12-month Percent Change in Current Dollar			12-month Percent Change in Constant Dollar		
	Q1 2022	Q4 2022	Q1 2023	Q1 2022	Q4 2022	Q1 2023
United States						
Total Compensation	4.8%	5.1%	4.8%	-3.5%	-1.2%	-0.2%
Wages and Salaries	5.0%	5.1%	5.1%	-3.3%	-1.2%	0.1%
New England						
Total Compensation	5.0%	5.7%	4.2%	-2.1%	-0.5%	-0.2%
Wages and Salaries	5.2%	5.9%	3.9%	-1.9%	-0.3%	-0.4%

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

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

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EXHIBIT 7:

Consumer Price Index
to May 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 8:

Percent Change in Consumer Prices
to May 2023

	United States		New England	
	Last Month April 2023	Last Year May 2022	Last Month April 2023	Last Year May 2022
All Items	0.3%	4.0%	-0.2%	2.4%
Food	0.2%	6.7%	0.3%	6.9%
Shelter	0.6%	8.0%	-0.2%	6.2%
Fuel & Utilities	-0.7%	0.9%	-6.6%	-2.7%
Transportation	0.5%	-2.0%	1.1%	-3.1%
Medical	0.0%	0.7%	-0.1%	-0.4%
Recreation	-0.1%	4.5%	0.5%	-1.1%
Education	-0.2%	1.5%	-0.4%	-0.6%
All, Less Food/Energy	0.4%	5.3%	0.1%	3.4%

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

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EXHIBIT 9:
FHFA House Price Index Changes
to Q1 2023

	Annualized Percent Change to Q1 2023	
	1-Quarter Change	4-Quarter Change
United States	1.4%	8.1%
New England	4.3%	9.0%
Connecticut	3.2%	8.8%
Maine	4.3%	11.3%
Massachusetts	3.7%	7.4%
New Hampshire	6.0%	10.6%
Rhode Island	6.7%	9.0%
Vermont	6.5%	12.6%
Middle Atlantic	1.6%	8.4%
East North Central	3.1%	8.1%
West North Central	4.0%	8.0%
South Atlantic	2.6%	11.4%
East South Central	1.9%	10.6%
West South Central	0.3%	8.6%
Mountain	-2.6%	4.8%
Pacific	-1.9%	2.8%

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Source: Federal Housing Finance Agency/Haver Analytics.

EXHIBIT 10:
FHFA MSA House Price Index Changes
to Q1 2023

	Annualized Percent Change to Q1 2023	
	1-Quarter Change	4-Quarter Change
Bridgeport-Stamford-Norwalk, CT	-6.5%	6.3%
Hartford-West Hartford-East Hartford, CT	3.3%	8.0%
New Haven-Milford, CT	0.2%	9.8%
Norwich-New London, CT	19.5%	15.7%
Bangor, ME	9.9%	15.1%
Lewiston-Auburn, ME	-20.0%	4.9%
Portland-South Portland-Biddeford, ME	9.3%	11.8%
Barnstable Town, MA	11.1%	13.6%
Boston Metro Division, MA	3.0%	6.3%
Pittsfield, MA	-15.3%	9.7%
Springfield, MA	9.5%	8.8%
Worcester, MA-CT	5.9%	8.7%
Manchester-Nashua, NH	3.8%	9.5%
Rockingham County-Strafford County Metro Division, NH	-0.0%	9.8%
Providence-New Bedford-Fall River-Warwick, RI	3.9%	8.4%
Burlington-South Burlington, VT	12.6%	15.8%

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Source: Federal Housing Finance Agency/Haver Analytics.

Note: MSA == Metropolitan Statistical Area

