

New England Economic Conditions

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By Bo Zhao and Greg Longfield

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Federal Reserve Bank of Boston

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Bo Zhao

1. Payroll Employment

- Year-over-year employment growth slowed in New England for November 2023. The information sector contributed to the deceleration by losing 2 percent of its employment from a year prior.
- Job openings rates continued trending downward in the region, and four of the New England states saw an increase in the rate of layoffs and discharges compared with 12 months ago.

Year-over-year employment growth continued to decelerate both in New England and across the United States (Exhibit 1). Nevertheless, the region posted a 1.5 percent increase in employment for November 2023, slightly lower than the US rate of 1.8 percent. Within the region, Rhode Island was the only state that had negative year-over-year job growth (–0.2 percent).¹

A decomposition of the employment change in New England by supersector shows that the educational- and health-services sector led all sectors with an increase of more than 3 percent from November 2022 to November 2023 (Exhibit 2). The information sector lagged the most over that period, with a 2 percent loss.

Both the regional and national employment figures for November 2023 exceeded pre-pandemic levels (Exhibit 3). However, New England's employment growth since February 2020 remained behind that of the nation. The employment levels for Rhode Island and Vermont were still down more than 2 percent compared with February 2020.

Professional and business services and construction are the region's two leading supersectors in terms of job growth since February 2020 (Exhibit 4). By contrast, employment in New England's government, manufacturing, other services, and leisure and hospitality supersectors has not recovered fully. Leisure and hospitality employment in the region remained 5 percent below its pre-pandemic level compared with a 1.2 percent deficit nationally.

As another sign of labor market cooling down, job openings rates continued a downward trend, inching closer to pre-pandemic averages both in the region and across the nation (Exhibit 5). Meanwhile, four of the New England states—Connecticut, Maine,

¹ Nationwide, Mississippi was the only other state with negative year-over-year job growth (–0.6 percent).

Massachusetts, and Vermont—saw a hike in the layoffs and discharges rate compared with a year ago (Exhibit 6).

2. Household Employment

- New England's unemployment rate for November was lower than a year ago, and it was lower than the other census divisions' rates.
- The labor force participation rate for New England prime-age workers (aged 25 to 54) returned to the pre-pandemic level, although total labor force participation remained below the February 2020 level.
- New England's employment-to-population ratio still lagged its pre-pandemic level.

Every New England state saw its unemployment rate decline from November 2022 to November 2023 (Exhibit 7). By contrast, the US unemployment rate increased slightly from a year ago.

New England had the lowest unemployment rate for November 2023 across nine census divisions. Vermont, New Hampshire, Massachusetts, and Rhode Island were among the states with the 10 lowest unemployment rates in the country that month.²

Labor force participation in New England and the United States remained below the February 2020 levels, although the rates for the region and country have been following different trajectories since 2021 (Exhibit 8). The US labor force participation rate has been slowly and steadily recovering, while the New England rate has largely stagnated. Across age groups, labor force participation among prime-age workers (aged 25 to 54) in the region in November exceeded the rates for February and March 2020 for the first time since the onset of the COVID-19 pandemic (Exhibit 9).

In addition, the employment-to-population ratio for November 2023 still lagged pre-pandemic levels, with a larger gap for New England than for the United States (Exhibit 10). This is because the region's number of employed workers (that is, the ratio's numerator) shrank 1.4 percent from February 2020, while the civilian noninstitutional population (that is, the ratio's denominator) increased 1.4 percent over this period.³

² US Bureau of Labor Statistics, Local Area of Unemployment Statistics, <https://www.bls.gov/web/laus/laumstrk.htm> (accessed December 29, 2023).

³ The data on the civilian labor force, including the number of workers employed and unemployed, were collected from a monthly household survey. The survey groups respondents by where they live, unlike the monthly establishment survey, which measures non-farm payroll employment based on where the establishments are located. For more information about the differences between the two surveys, see US Bureau of Labor Statistics, "State Employment and Unemployment—November 2023," news release, December 22, 2023, https://www.bls.gov/news.release/archives/laus_12222023.pdf.

3. Inflation

- Boston's overall inflation continued a downward trend, dropping to 2.4 percent for November 2023.
- Boston's overall inflation was driven mostly by a 7.1 percent year-over-year increase in shelter prices, while prices for fuels and utilities decreased 14.3 percent.

Since September 2022, overall inflation in the Boston area has steadily declined (Exhibit 11). The year-over-year change in the Consumer Price Index (CPI) for Boston fell to 2.4 percent for November 2023, which was 0.7 percentage point lower than the US rate for the same month. Core CPI for Boston increased 3.4 percent from a year prior (Exhibit 12). (Core CPI omits food and energy prices, which tend to be more volatile than prices of other items.)

Shelter prices played a critical role in Boston's recent inflation. They increased 7.1 percent on a year-over-year basis. Food prices also rose 5.3 percent during the 12-month period ending in November 2023. These increases were partially offset by a 14.3 percent decrease in prices for fuels and utilities. While not shown in Exhibit 12, that decrease was driven by a 20.3 percent decline in electricity prices and a 7.5 percent decline in utility gas service prices.⁴ In addition, gasoline prices—a sub-category within transportation—dropped 8.5 percent in the Boston area.

4. Real Estate Markets

- New England saw stronger year-over-year house-price growth compared with the rest of the country for 2023:Q3.
- The office vacancy rate continued to rise in both downtown and suburban Boston.

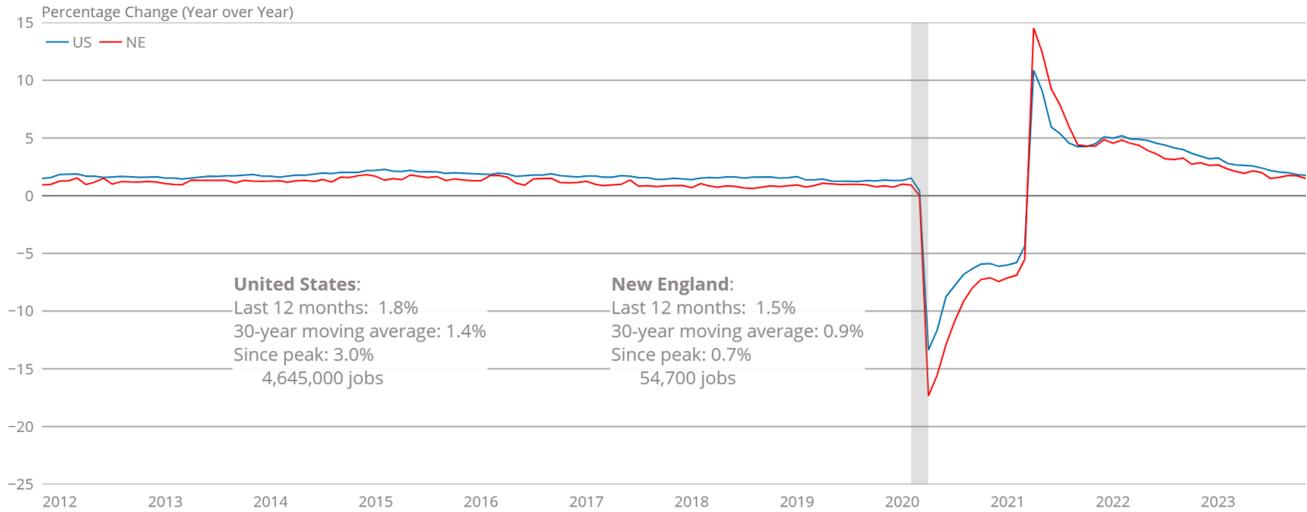
House prices increased in all nine US census divisions both quarter-to-quarter and year-over-year for the third quarter of 2023. The year-over-year appreciation for New England was 9.3 percent (Exhibit 13), which was the highest among all census divisions. Four New England states—Vermont, Maine, New Hampshire, and Connecticut—posted a year-over-year appreciation that was close to or greater than 10 percent and claimed the top four spots nationwide in house-price-growth rate from 2022:Q3 to 2023:Q3. The Federal Housing Finance Agency attributed the strong national house-price growth to a low inventory of houses on the market.⁵

⁴ For information about these sub-categories, see US Bureau of Labor Statistics, “Consumer Price Index, Boston-Cambridge-Newton—November 2023,” news release, December 12, 2023, https://www.bls.gov/regions/northeast/news-release/ConsumerPriceIndex_Boston.htm.

⁵ Federal Housing Finance Agency, “U.S. House Prices Rise 5.5 Percent over the Last Year; Up 2.1 Percent from the Second Quarter,” news release, November 29, 2023, <https://www.fhfa.gov/Media/PublicAffairs/Pages/US-House-Prices-Rise-5pt5-Percent-over-the-Last-Year-Up-2pt1-Percent-from-Q2.aspx>.

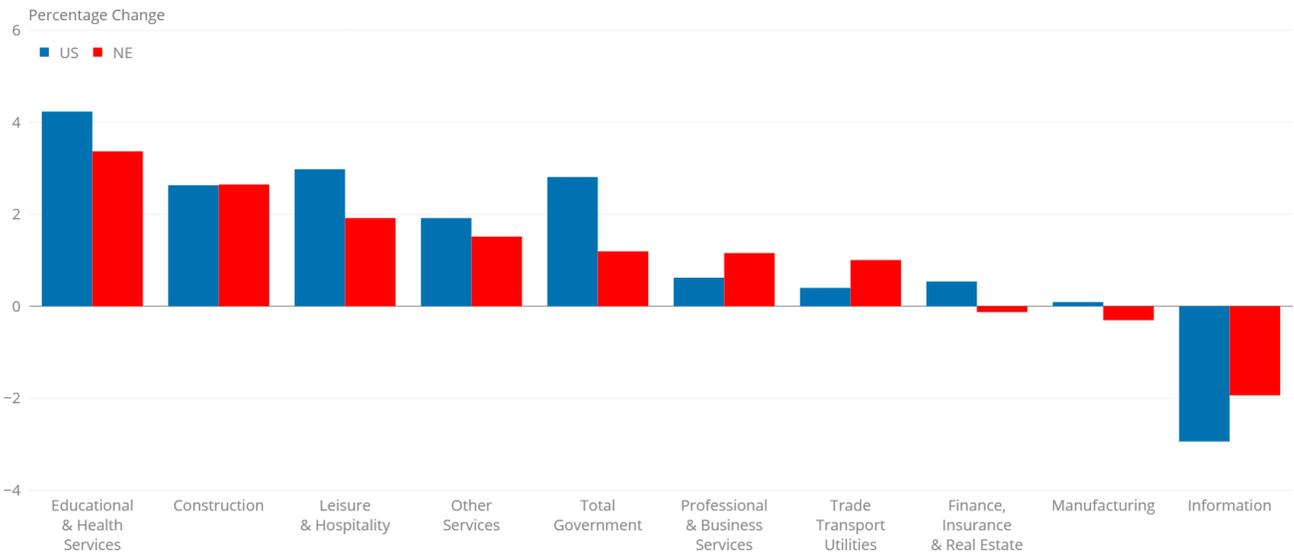
By contrast, the office market further softened both in the Boston area and across the country. The 2023:Q3 office-vacancy rates in both downtown and suburban Boston increased from a quarter ago and from 2022:Q3 (Exhibit 14). Nevertheless, they remained lower than the downtown and suburban rates for the United States.

EXHIBIT 1:
Employment Growth
to November 2023



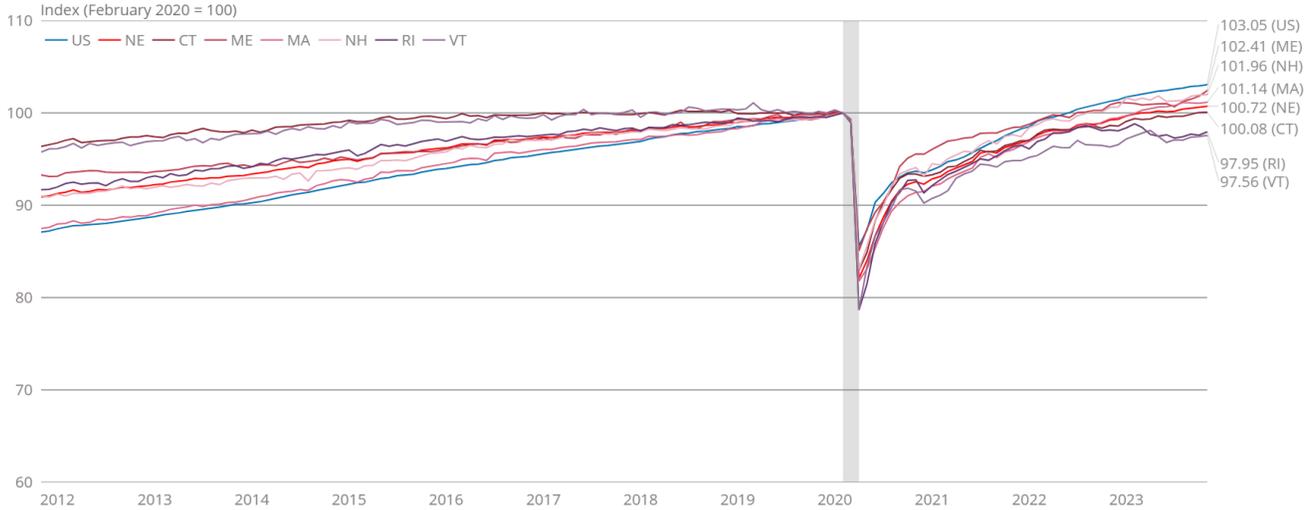
Source(s): US Bureau of Labor Statistics/Haver Analytics.
 Note(s): Data are seasonally adjusted. Peak values are determined from the years 2019 and 2020; they may differ for each region. First data point after a year label represents January of that year. Gray bar(s) indicates recession(s).

EXHIBIT 2:
Employment Growth by Supersector
to November 2023



Source(s): US Bureau of Labor Statistics/Haver Analytics.
 Note(s): Data are seasonally adjusted. New England figure for "Information" excludes RI, for which data are unavailable.

EXHIBIT 3:
Non-agricultural Employment
to November 2023



Source(s): US Bureau of Labor Statistics/Haver Analytics.

Note(s): Data are seasonally adjusted. First data point after a year label represents January of that year. Gray bar(s) indicates recession(s).

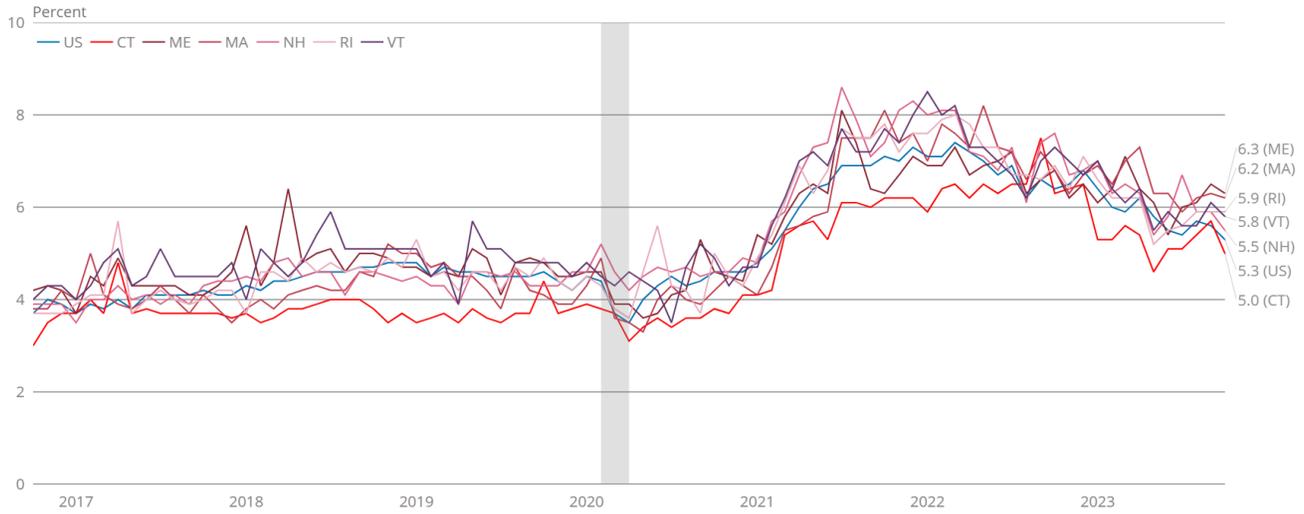
EXHIBIT 4:
Percentage Change in Payroll Employment by Supersector
February 2020 to November 2023

	United States		New England	
	Net Change	% Change	Net Change	% Change
Professional & Business Services	1,496,000	7.0%	77,200	7.2%
Construction	431,000	5.7%	21,000	6.6%
Educational & Health Services	1,228,000	5.0%	20,300	1.3%
Trade/Transport/Utilities	1,100,000	4.0%	6,200	0.5%
Information	129,000	4.4%	300	0.2%
Finance, Insurance & Real Estate	277,000	3.1%	0	0.0%
Government	80,000	0.3%	-13,800	-1.4%
Manufacturing	195,000	1.5%	-8,700	-1.5%
Other Services	-44,000	-0.7%	-7,900	-2.7%
Leisure & Hospitality	-203,000	-1.2%	-39,500	-5.0%

Source(s): US Bureau of Labor Statistics/Haver Analytics.

Note(s): New England figure for "Information" excludes RI, for which data are unavailable.

EXHIBIT 5:
Job Openings Rate in US and New England States
 to October 2023



Source(s): US Bureau of Labor Statistics/Haver Analytics.

Note(s): Data are seasonally adjusted. First data point after a year label represents January of that year. Gray bar(s) indicates recession(s).

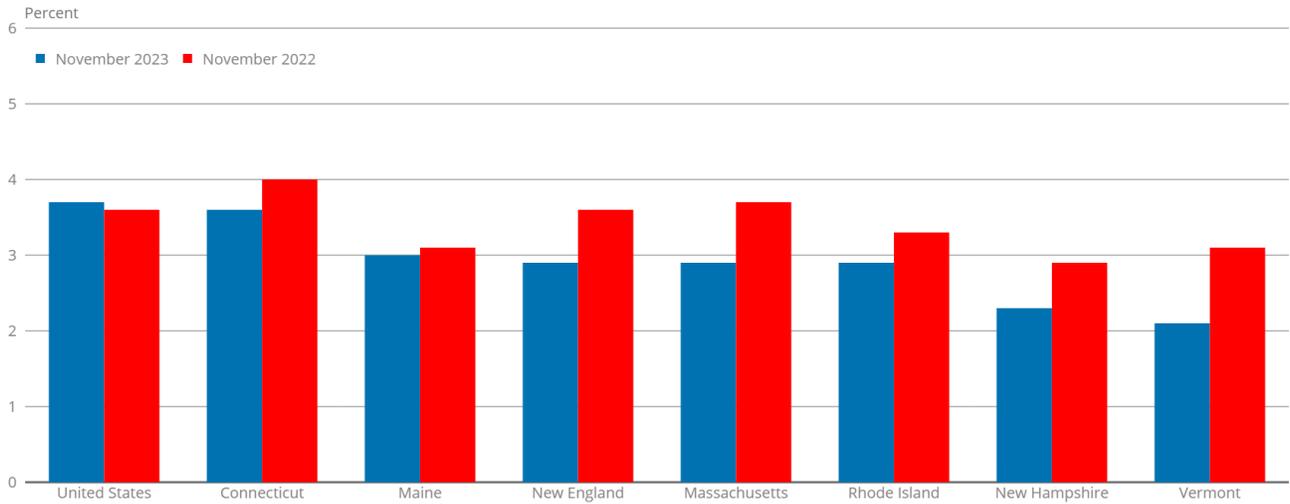
EXHIBIT 6:
Layoffs and Discharges Rate
 to October 2023

	Current Rate	1-Year Ago	Percentage-point Difference
	October 2023	October 2022	
United States	1.0%	1.0%	0.0
Connecticut	1.3%	0.9%	0.4
Maine	2.2%	1.1%	1.1
Massachusetts	1.1%	0.8%	0.3
New Hampshire	1.6%	2.2%	-0.6
Rhode Island	1.6%	1.6%	0.0
Vermont	1.6%	1.0%	0.6

Source(s): US Bureau of Labor Statistics, Haver Analytics

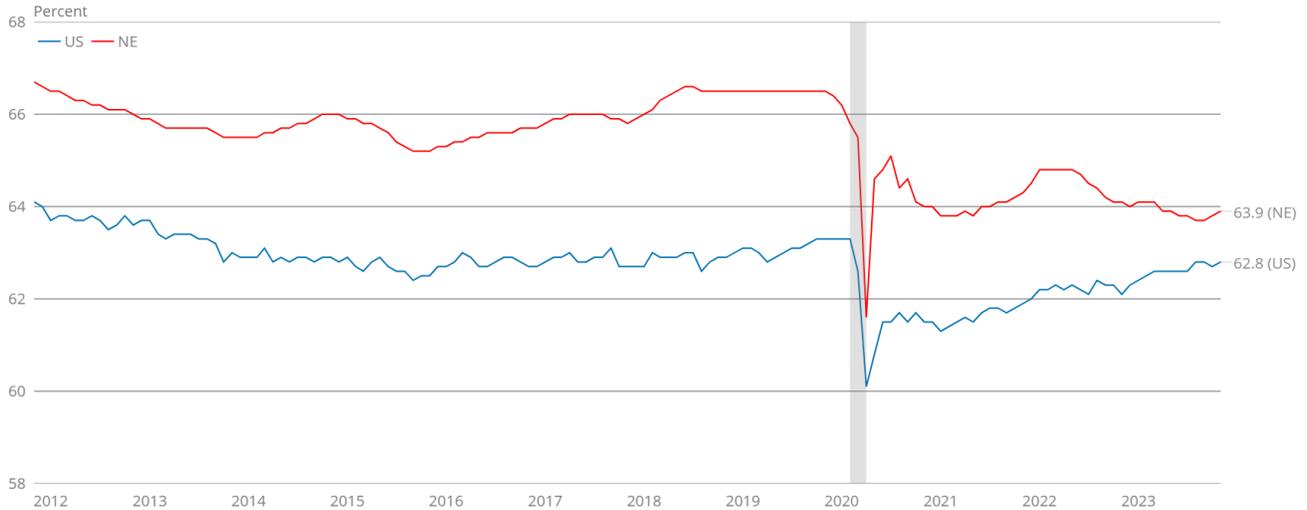
Note(s): Data are seasonally adjusted.

EXHIBIT 7:
**Unemployment Rates in New England States
 to November 2023**



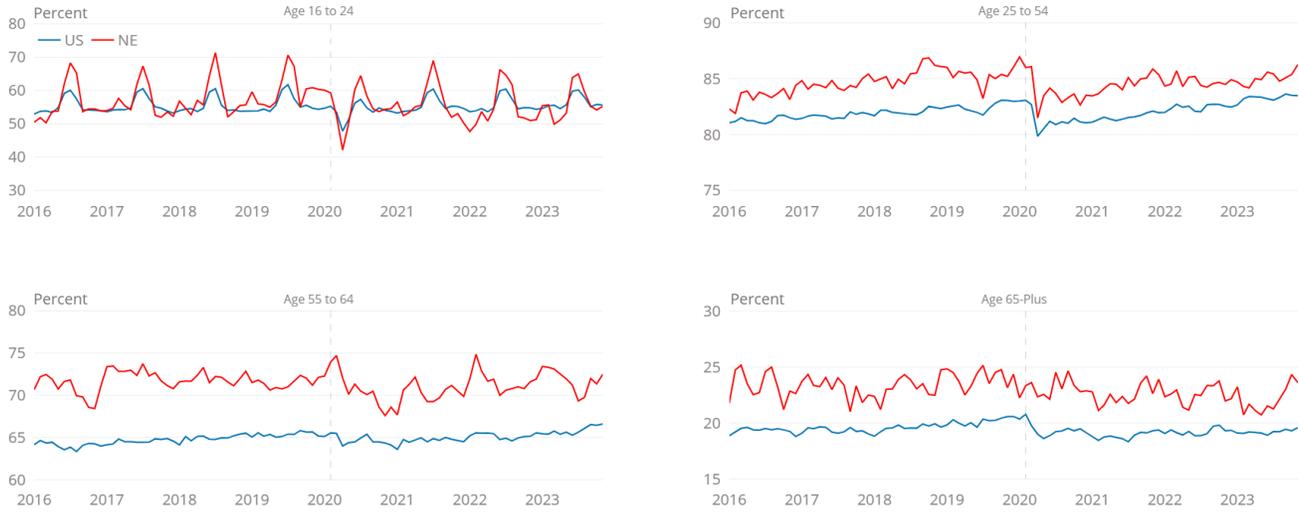
Source(s): US Bureau of Labor Statistics/Haver Analytics.
 Note(s): Data are seasonally adjusted.

EXHIBIT 8:
**Labor Force Participation
 to November 2023**



Source(s): US Bureau of Labor Statistics/Haver Analytics.
 Note(s): Data are seasonally adjusted. First data point after a year label represents January of that year. Gray bar(s) indicates recession(s).

EXHIBIT 9:
Trends in Labor Force Participation Rate by Age Group to November 2023



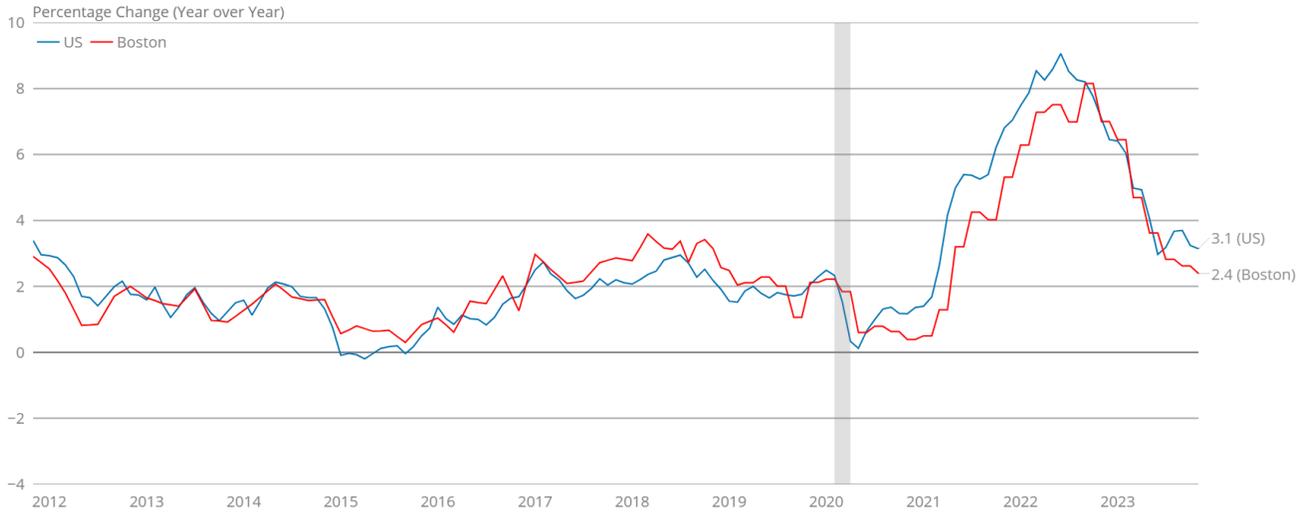
Source(s): IPUMS Current Population Survey
 Note(s): Data are not seasonally adjusted. First data point after a year label represents January of that year. The vertical dashed line denotes February 2020.

EXHIBIT 10:
Employment-to-population Ratio to November 2023

	Current Ratio (%)	Percentage-point Difference	
	November 2023	Last 12 Months	Since February 2020
United States	60.4	0.5	-0.7
New England	62.0	0.2	-1.8
Connecticut	61.8	-0.4	-2.1
Maine	57.2	1.0	-2.7
Massachusetts	62.8	0.5	-1.4
New Hampshire	63.2	-1.0	-3.5
Rhode Island	61.8	0.9	0.0
Vermont	63.0	1.6	-1.4

Source(s): US Bureau of Labor Statistics, Haver Analytics
 Note(s): Data are seasonally adjusted.

EXHIBIT 11:
**Consumer Price Index
 to November 2023**



Source(s): US Bureau of Labor Statistics/Haver Analytics.

Note(s): First data point after a year label represents January of that year. Gray bar(s) indicates recession(s).

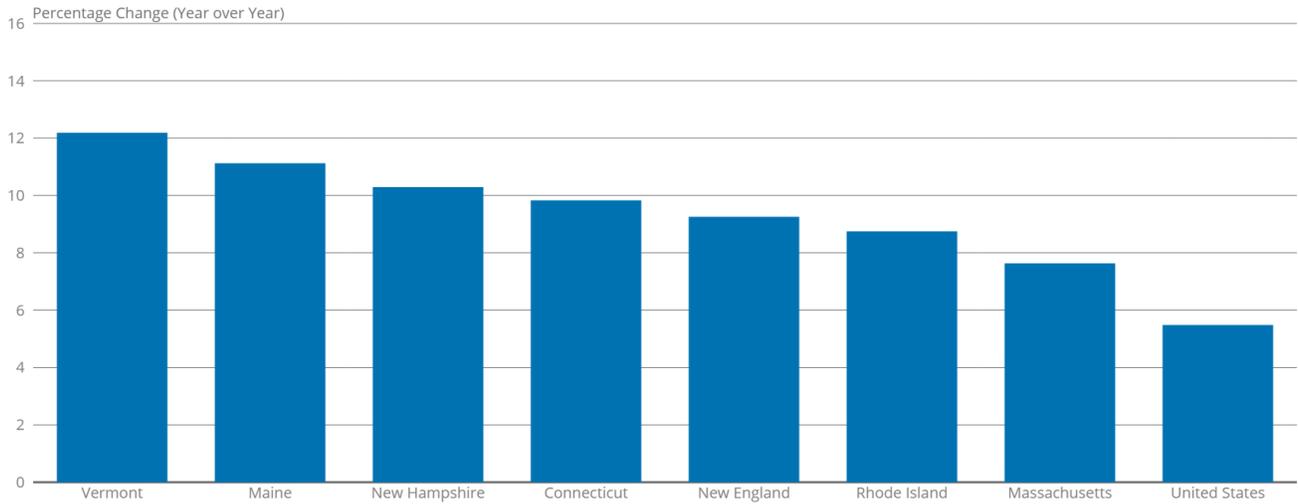
EXHIBIT 12:
**Percentage Change in Consumer Prices
 to November 2023**

	United States		Boston	
	2 Months Ago September 2023	Last Year November 2022	2 Months Ago September 2023	Last Year November 2022
All Items	-0.2%	3.1%	0.4%	2.4%
All, Less Food/Energy	0.1%	4.0%	0.1%	3.4%
Shelter	0.4%	6.5%	0.7%	7.1%
Food	-0.2%	2.9%	0.2%	5.3%
Transportation	-1.1%	0.9%	-0.9%	0.5%
Education	-0.4%	-0.1%	-1.2%	-1.5%
Medical	0.4%	0.2%	-0.1%	-2.9%
Recreation	-0.3%	2.5%	-0.2%	-3.1%
Fuels & Utilities	0.5%	0.1%	10.8%	-14.3%

Source(s): US Bureau of Labor Statistics/Haver Analytics.

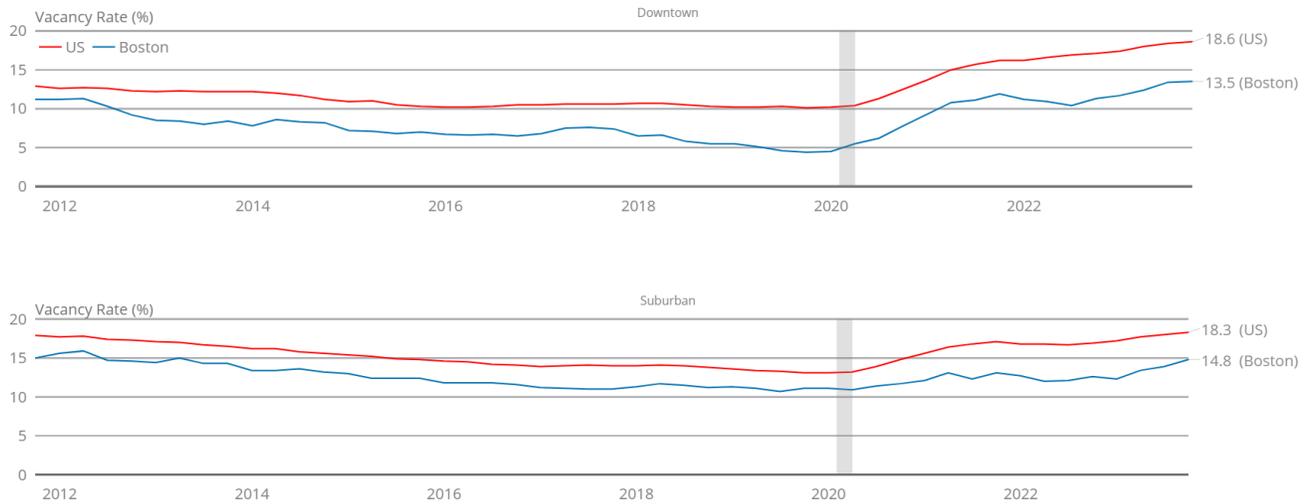
Note(s): Boston data are released every other month, except for "Shelter," which is released monthly.

EXHIBIT 13:
House Prices (FHFA Purchase-only)
to 2023:Q3



Source(s): Federal Housing Finance Agency/Haver Analytics

EXHIBIT 14:
Office Vacancies
to 2023:Q3



Source(s): CB Richard Ellis.

Note(s): Office vacancy rate is a percentage representing vacant office space for lease divided by the total square footage of office space. First data point after a year label represents first quarter of that year. Gray bar(s) indicates recession(s).