

Economic data disappoints as growth falters

Economic growth in New England continued to disappoint along many economic indicators and entailed mostly minor changes since the previous update. Employment growth faltered, as the region lost 2,500 jobs in June. Residential real estate provided something of a silver lining for the region as housing permit growth improved markedly from last year.

New England loses jobs in June

Employment in New England contracted slightly in June, with the payroll job count down 2,500 from May (Exhibit 1). To make matters worse, May's employment gain was revised downward by 4,000 jobs (to 10,300). The latest growth rates fell significantly below their respective long-term trends both regionally and nationally.

None of the states in the region experienced statistically significant changes in employment in June. However, Rhode Island saw the largest percentage decline in payrolls in the nation (-0.8 percent), year-over-year in June, leaving the state's employment at its lowest level since December 2009.

Maine experienced a fourth consecutive month of employment declines, dropping 600 jobs in June to leave its total employment down by a statistically insignificant margin (-0.1 percent) for the year.

Regional unemployment rate unchanged, shows improvement from a year ago

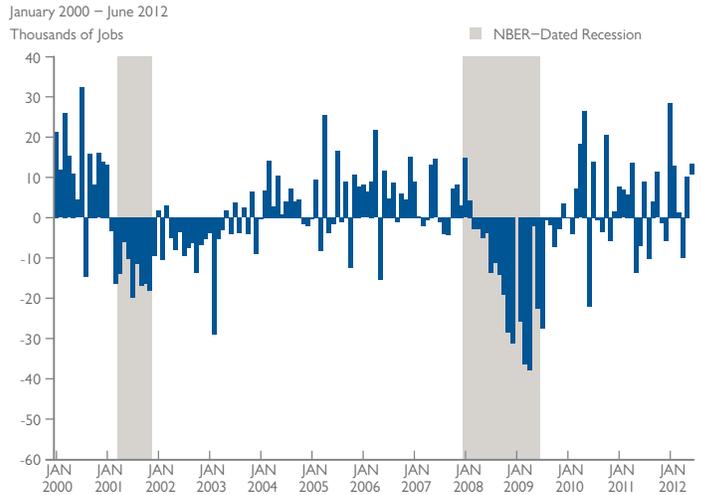
New England's unemployment rate was unchanged in June at 6.8 percent, an improvement of 1.1 percentage points from one year ago (Exhibit 2). The national unemployment rate was unchanged between May and June, remaining at 8.2 percent. The current gap between the national and regional unemployment rates is the largest observed since October 2011 (Exhibit 3).

All states in New England reported year-over-year declines in unemployment. Massachusetts's rate of 6.0 percent—the region's lowest—is an improvement of 1.4 percentage points from last year. Rhode Island's unemployment rate, 10.9 percent, was second highest in the nation despite having declined 0.5 percentage points since June 2011.

Construction employment contracts sharply

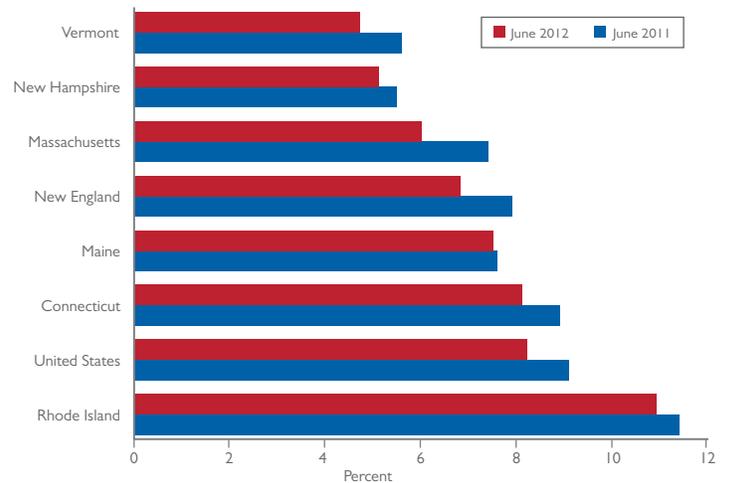
Construction employment in New England deteriorated sharply for the second straight month, falling to a rate of -3.8 in June (Exhibit 4). This is down from -2.5 percent in May and -1.7 percent in April. Government employment continued to decrease, dropping 1.2 percent in the region. State governments in the region experienced a tepid 0.2 percent uptick in employment while federal and local government payrolls fell 1.8 and 1.5 percent respectively.

Exhibit 1 Monthly Employment Change in New England



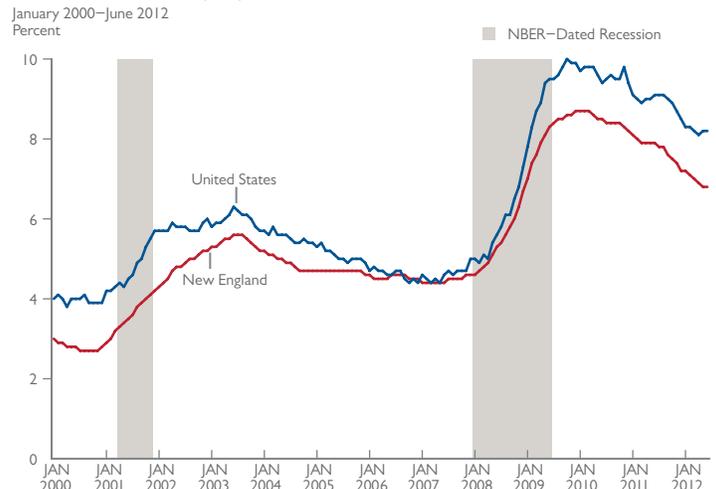
Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted.

Exhibit 2 Unemployment Rates



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted.

Exhibit 3 Unemployment Rate



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted.

Professional and business services led the region (and the U.S.) with 3.4 percent employment growth over-the-year to June 2012. Within the sector, the administrative and waste management industry (4.2 percent) and the professional, scientific and technical business service industry (3.5 percent) experienced the largest yearly industry-level employment increases in New England. This sector has led the region in employment growth since October 2011.

Average weekly initial claims for unemployment insurance increased significantly from May to June (1.1 percent). After smoothing out fluctuations in this volatile series, the regional data have exhibited an upward drift in claims since February 2012 (Exhibit 5).

Housing markets continue to improve in New England and the nation

Total housing permits in New England topped 2,000 units in May for just the second time since February 2010. Average total permits over the three months ended in June are up 34.5 percent from last year's comparable figure. Massachusetts led the way as three-month average permits increased 56.5 percent from last year while Rhode Island saw the region's only decline with permits sliding 13.2 percent by the same measure.

Personal income growth weakens

National and regional personal income growth weakened in the first quarter of 2012 on a year-over-year basis (Exhibit 6). Personal income in New England increased by 2.6 percent over-the-year to the first quarter of 2012, while U.S. personal income rose by 2.9 percent over the same period, marking the third consecutive quarter in which the U.S. outpaced New England. These rates are the lowest in the region and the nation since the first quarter of 2010, when they peaked at 5.4 percent and 5.9 percent, respectively.

New England Economic

SNAPSHOT

New England Economic Snapshot is published by the Federal Reserve Bank of Boston.

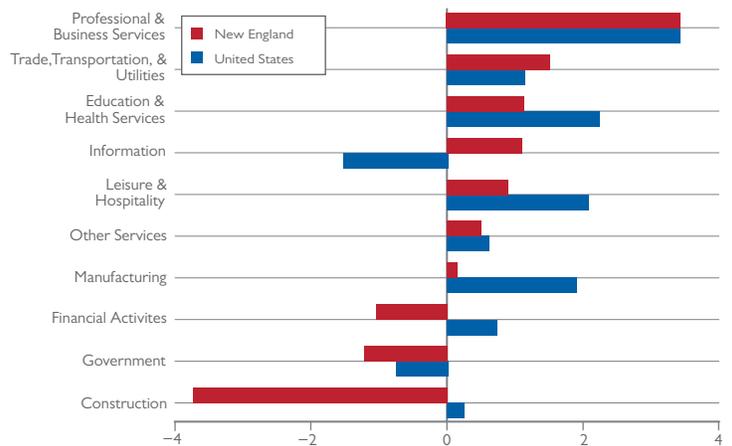
New England Economic Snapshot aggregates data released in the six weeks before July 24, 2012. Use of these data does not necessarily imply the Bank's endorsement. More current and detailed data on the New England economy are available at www.bostonfed.org/economic/nee.

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Exhibit 4 Employment Growth by Supersector

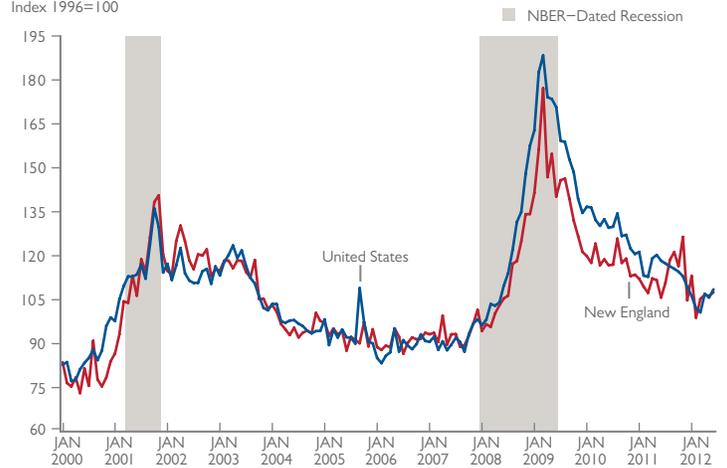
Percent Change, June 2011 to June 2012



Source: U.S. Bureau of Labor Statistics.
Note: Data are seasonally adjusted. New England figure for Information includes CT, MA, and NH.

Exhibit 5 Initial Claims for Unemployment Insurance

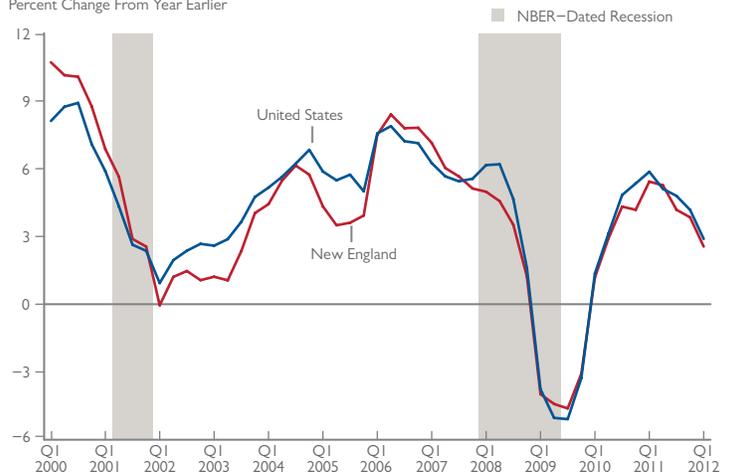
January 2000 – June 2012
Index 1996=100



Source: U.S. Department of Labor, Federal Reserve Board of Governors, and Federal Reserve Bank of Boston.
Data are seasonally adjusted.

Exhibit 6 Personal Income

First Quarter 2000 – First Quarter 2012
Percent Change From Year Earlier



Source: U.S. Bureau of Economic Analysis.