

Economy continues to grow in New England

Economic growth in New England continues to parallel that of the nation. At the same time, according to some measures, the fortunes of the individual New England states are diverging. Gains are continuing in Massachusetts, while Rhode Island is failing to participate in even the modest recovery occurring elsewhere.

New England adds jobs in May

Employment in New England expanded in May, with the payroll job count up 14,300 from April (exhibit 1). After dipping in April, the year-over-year growth rate moved up to 0.7 percent, well below the U.S. May-to-May growth rate of 1.4 percent.

Connecticut, New Hampshire, Vermont, Massachusetts, and Maine all posted year-over-year employment gains, leaving only Rhode Island with fewer jobs in May than a year earlier (-0.8 percent).

Massachusetts is the only New England state with a statistically significant employment gain over the year, up 1.2 percent. Rhode Island's job losses are not statistically significant, even though they were the steepest among the seven states nationwide with year-over-year employment declines.

Regional unemployment more than a percentage point below national average

New England's unemployment rate continued to trend downward in May, falling for a fourth consecutive month to 6.8 percent, about a percentage point below its 7.9-percent May 2011 level. Regional unemployment remains more than a percentage point below the national average (exhibit 2).

The jobless rate rose in Connecticut and Maine, held steady in New Hampshire and Vermont (keeping them among only six states nationwide with rates at or below 5.0 percent), and declined in Massachusetts and Rhode Island. Rhode Island's rate, 11.0 percent, was second highest in the nation.

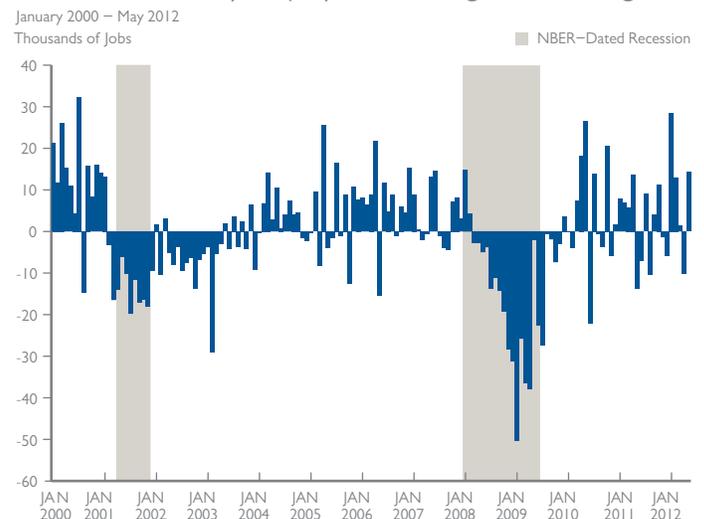
Professional & business services jobs grow

Construction remains New England's poorest-performing supersector in terms of job growth over the 12 months ending in May, with employment down 2.5 percent (exhibit 3). Year-over-year declines also continued in financial activities and government, with the latter concentrated in local government.

On the plus side, professional and business services continues to show the strongest employment growth in New England (up 3.4 percent year-over-year) as well as in the nation.

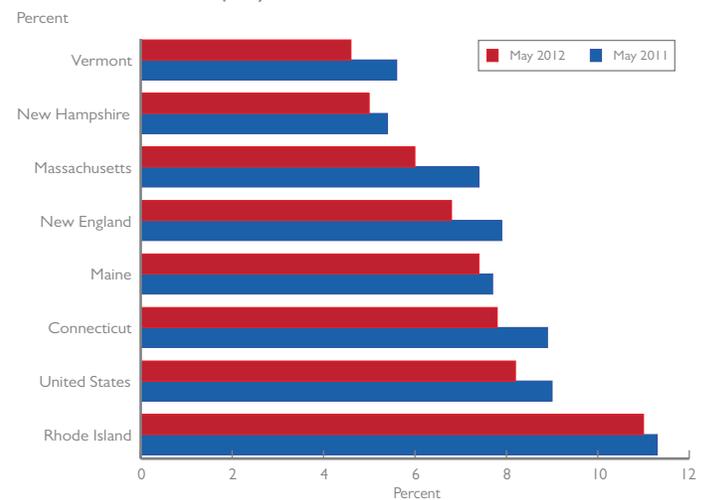
On net, only private education and health services is ahead of its pre-recession employment level.

Exhibit 1 Monthly Employment Change in New England



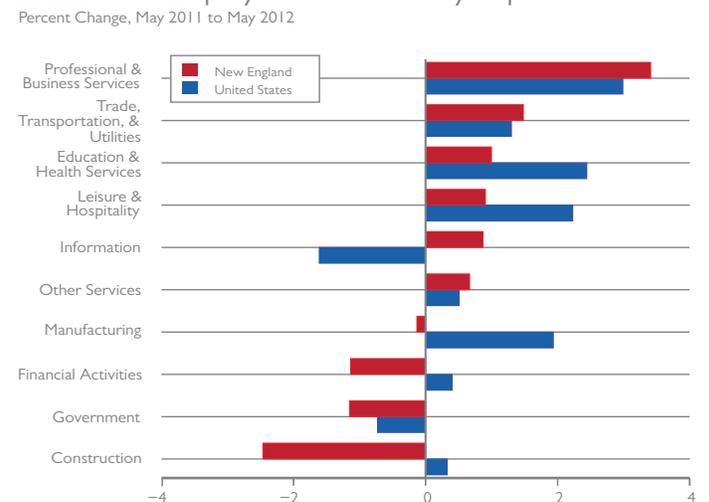
Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted.

Exhibit 2 Unemployment Rates



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

Exhibit 3 Employment Growth by Supersector



Source: U.S. Bureau of Labor Statistics.

Note: Data are seasonally adjusted. New England figure for Information includes CT, MA, and NH

Housing markets improve in New England and the nation

Residential real estate markets are showing some improvement in New England, with construction indicators showing increases from a year ago and the year-over-year pace of house price declines generally moderating.

The FHFA house price index edged down from Q4 to Q1 in the nation, region, and all six New England states, nearly erasing the gains registered in the two previous quarters. Nevertheless, house prices continued to improve on a year-over-year basis, with the pace of decline moderating in both New England (from -2.0 to -1.2 percent) and the nation (from -2.9 to -1.4 percent) (exhibit 4).

Foreclosures hold steady

After increasing for two quarters, the foreclosure initiation rate held steady in New England in Q1 2012, while declining nationwide. At 0.9 percent, the regional rate remains 0.1 percentage points below that of the nation.

Inflation continues decline

Headline inflation in the Boston metro area, as in the nation, continued to come down on a year-over-year basis in May, with the cost of the market basket rising 0.8 percent in Greater Boston and 1.7 percent nationwide (exhibit 5). In the region and nationally, energy prices are bringing down the rate of inflation. The Boston index for energy declined 6.5 percent over the year as compared with a 3.9 percent drop nationwide.

Exports increase for VT, RI, MA

The dollar value of merchandise exports from New England edged upward in Q1 2012, following decreases in the two previous quarters and came in 3.8 percent above its year-earlier level. Nationally, exports decreased in Q1 for the first time in 11 quarters but were still 8.7 percent higher than in Q1 2011 (exhibit 6).

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 June 18, 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 FHFA House Price Index

First Quarter 2000 – First Quarter 2012

Percent Change From Year Earlier

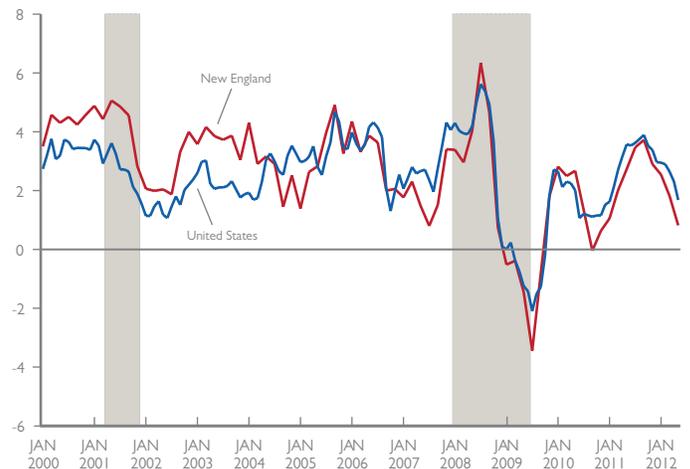


Source: Federal Housing Finance Agency.

Exhibit 5 Consumer Price Index

January 2000 – May 2012

Percent Change From Year Earlier

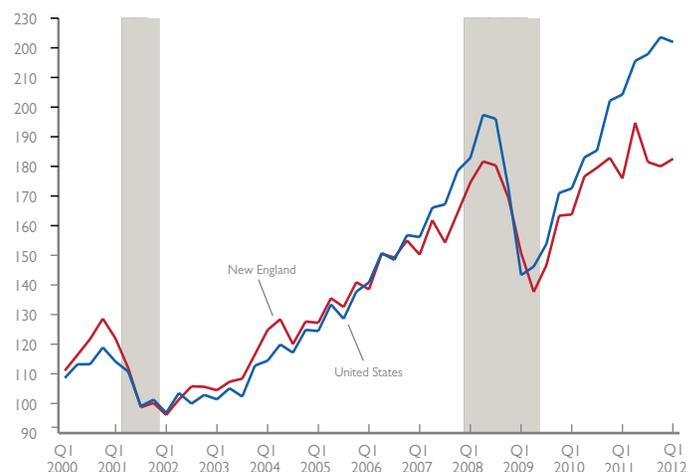


Source: U.S. Bureau of Labor Statistics.

Exhibit 6 Total Merchandise Exports

First Quarter 2000–First Quarter 2012

Index 1997=100



Source: World Institute for Strategic Economic Research.