New England’s economic performance trails the nation in recent months
The New England economy continues to expand, but the rate of growth appears to have slowed in recent months and, for some indicators, trails the national pace of recovery.

New England’s employment declines slightly in November
Following two months of job gains, New England’s employment was essentially unchanged between October and November of 2012, down 100 jobs (Exhibit 1). In comparison, employment increased nationwide over this time period (146,000 jobs), growing 0.1 percent month-over-month.

Vermont experienced the strongest employment gains of all the New England states, increasing employment 0.7 percent (2,200 jobs) between October and November of 2012. Connecticut was the only other state to gain jobs over this period, adding 300 jobs. Employment changes in the other New England states ranged from −0.03 percent in Massachusetts (−1,100 jobs) to −0.17 percent in Maine (−1,000 jobs).

Regional unemployment rate remains elevated
After reaching a post-recession low of 6.8 percent in May and June of 2012, New England’s unemployment rate increased to 7.4 percent in October. In November the region’s unemployment rate dropped to 7.3 percent, 0.1 percentage points below the rate in November 2011 (Exhibit 2). In comparison, the national unemployment rate was 7.7 percent in November 2012, a full percentage point below its level a year earlier. The unemployment rates in Massachusetts, Rhode Island, and Vermont were down year-over-year, while the rates in Connecticut, Maine, and New Hampshire increased.

Inflation in the Boston area increases slightly
Consumer prices in the Boston area grew 0.2 percent between September and November of 2012. At the national level, the Consumer Price Index fell 0.5 percent from September to November. Boston experienced headline inflation (year-over-year) of just 2.0 percent in November, with core inflation (All items less Food and Energy) coming in at 2.2 percent over the same period (Exhibit 3). Both headline and core inflation in Boston grew slightly faster than their respective U.S. counterparts for November, at 1.8 percent (U.S. headline) and 1.9 percent (U.S. core). During the past twelve months, both in Boston and nationwide, fuel & utilities prices have been the only major expenditure category to decline.

continued on page 2
Incomes in New England grew at slower pace than nationally
Both regionally and nationally personal income continued to grow in the third quarter of 2012 (Exhibit 4). Year-over-year growth in personal income in the third quarter of 2012 came out to 2.6 percent for New England and 3.2 percent for the United States. The 2.6 percent income growth in New England was faster than in the previous quarter when it increased only 1.6 percent, making it the first time year-over-year income growth in the region has accelerated since the first quarter of 2011. Personal incomes experienced positive growth in all New England states, both year-over-year and quarter-over-quarter. Vermont posted the strongest year-over-year increase in personal income in the third quarter, at 4.4 percent.

The housing market is starting to improve at a faster pace nationally
Residential real estate markets are continuing to show signs of improvement, with residential housing permits and construction contract indicators showing increases from a year ago. However, the pace of growth has been much stronger nationally than in the New England region.

The FHFA house price index edged up between the second and third quarters of 2012 in the nation, region, and all six New England states, following two consecutive quarters of declines. However, the index continued to decline on a year-over-year basis in the region (Exhibit 5), and at an even faster pace in the third quarter of 2012 (–1.0 percent from the third quarter of 2011) than was observed for the second quarter of 2012 (–0.7 percent from the second quarter of 2011). Nationally, home price declines continued to moderate and were flat in the year ending in third quarter 2012. Vermont was the only state in New England to see housing prices grow between the third quarters of 2011 and 2012, increasing 0.4 percent (Exhibit 6). Housing price changes in the other New England states ranged from –0.1 percent in Massachusetts to –2.6 percent in Rhode Island.