

A new year, a similar economic pattern

The pattern of modest economic growth continued into early 2014 for both New England and the United States. Employment inched closer to pre-recession levels, but regional gains lagged those experienced nationwide. Unemployment rates continued to decline, but levels varied considerably across the region. Growth in prices remained fairly low, though a particularly cold winter pushed up heating costs. New England's export activity outpaced national activity, a significant change from past years.

Employment edges closer to pre-recession peak

The United States continued to add jobs at a faster rate than New England, maintaining the trend of the past few years (Exhibit 1). Between February 2013 and 2014 payroll employment increased 1.6 percent nationally and 1.2 percent regionally, consistent with growth rates experienced over the past two years. However, as New England did not fare as poorly in the recession, modest job gains have brought the region within 0.4 percent of its pre-recession employment level, slightly ahead of the United States (0.5 percent below its pre-recession peak).

Among the New England states, only Rhode Island exceeded national employment growth through February 2014, increasing 1.8 percent year-over-year. Employment growth in the other states ranged from a low of 0.6 percent in Connecticut to 1.4 percent in Massachusetts. Despite the job gains in each New England state, Massachusetts is the only state to have reached its pre-recession employment levels. Vermont has almost reached its peak employment level and is just 0.6 percent below its peak. Rhode Island is furthest from this goal: despite strong growth recently, the state is still 4.0 percent below its pre-recession employment peak.

New England trails employment growth in most industries

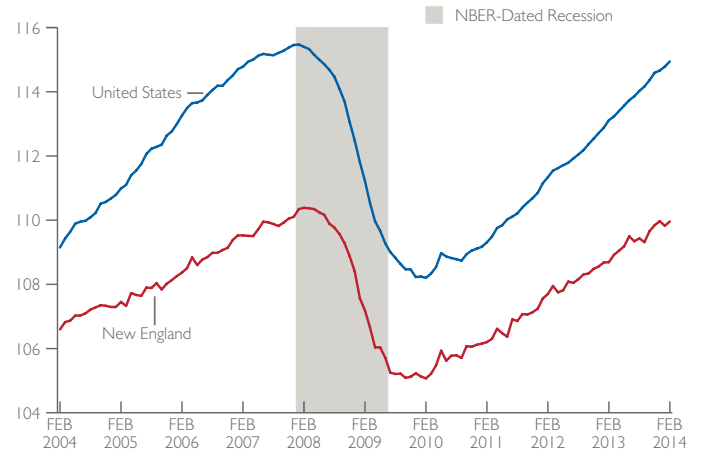
The difference between regional and national employment growth is largely due to stronger growth rates in most sectors nationally (Exhibit 2). Employment in New England increased in seven out of ten sectors between February of 2013 and 2014, but declined in Financial Activities, Manufacturing, and Government. Nationally, employment declined in only two industries: Government and Information. Information and Other Services were the only supersectors that experienced stronger employment growth in New England than in the nation during the period considered. The strongest employment growth both nationally and regionally was in Professional & Business Services, with strong regional growth coming from Massachusetts (3.6 percent) and Rhode Island (4.0 percent).

Unemployment rates vary considerably across the region

New England's unemployment rate fell from 7.1 percent in February 2013 to 6.4 percent in February 2014, the lowest level since November 2008 (Exhibit 3). The national unemployment rate also declined to its lowest level since late 2008, reaching 6.7 percent in February 2014. Unemployment rates in each of the New England states declined over this time period, with most achieving their lowest levels since before the Great Recession. Vermont continues to have

Exhibit 1 Nonagricultural Employment

February 2004 - February 2014
Index 1996=100



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

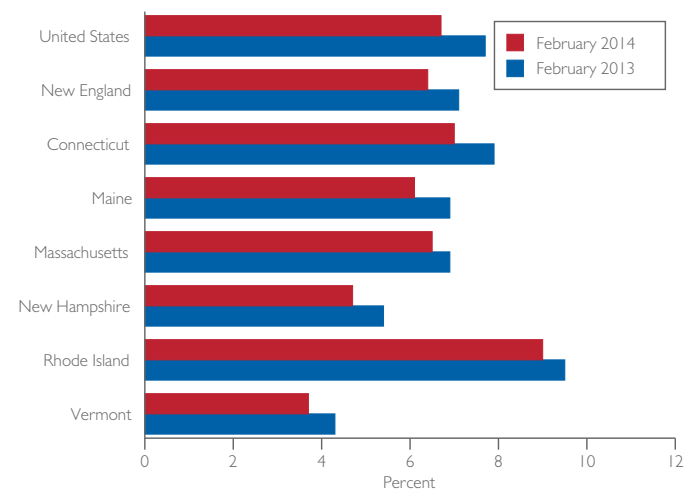
Exhibit 2 Employment Growth by Supersector

Percent Change, February 2013 to February 2014



Source: U.S. Bureau of Labor Statistics.
Note: Data are seasonally adjusted. New England's Information supersector is based on data from NH, MA, and CT only.

Exhibit 3 Unemployment Rates



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

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the lowest unemployment rate in the region and in February 2014 it was the fourth-lowest nationwide at 3.7 percent. Conversely, Rhode Island consistently has had the highest unemployment rate in New England and in February it had the highest unemployment rate in the nation (9.0 percent).

The cold winter drives up Fuel & Utilities costs

Consumer prices continued to grow at fairly subdued pace into early 2014 (Exhibit 4). Between January 2013 and 2014 prices for all items in New England grew at 1.3 percent, slightly below the 1.6 percent growth rate reported nationwide. This rate of inflation is consistent with the trend in consumer prices over the past year and a half. A particularly harsh winter yielded a large increase in the cost of Fuel & Utilities: a 6.9 percent price increase in New England and 4.5 percent increase in the United States (Exhibit 5).

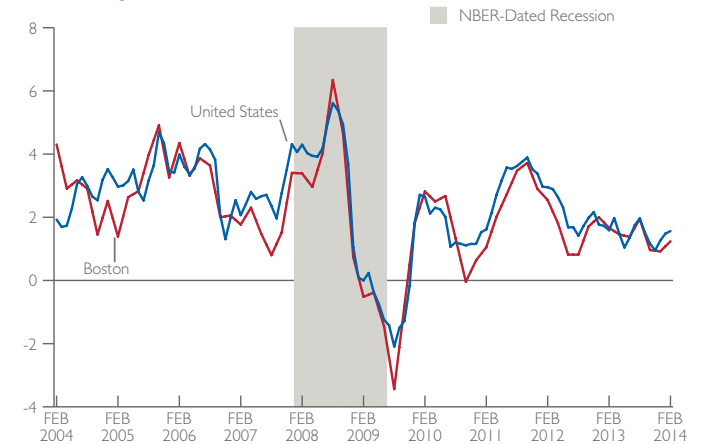
Regional export activity accelerates

Following a lull in regional export activity, New England's export growth has started to exceed national rates. In fact, year-over-year growth in exports from New England has exceeded national growth in exports for the past three quarters, most recently increasing 8.3 percent regionally, as compared to 3.7 percent nationally (Exhibit 6). New England's recent increase in export activity is mainly due to strong growth in exports from Massachusetts and New Hampshire. However, declining exports from Maine, Rhode Island, and Vermont weighed on regional export activity.

Recent gains in New England's export activity have come primarily from exports to Mexico, rather than to the region's largest export destinations, Canada and China. Further, the region's largest export-ing industries—Computer & Electronic Products and Transportation—experienced declining exports recently while Primary Metal Manufacturers' exports grew nearly 200 percent.

Exhibit 4 Consumer Price Index

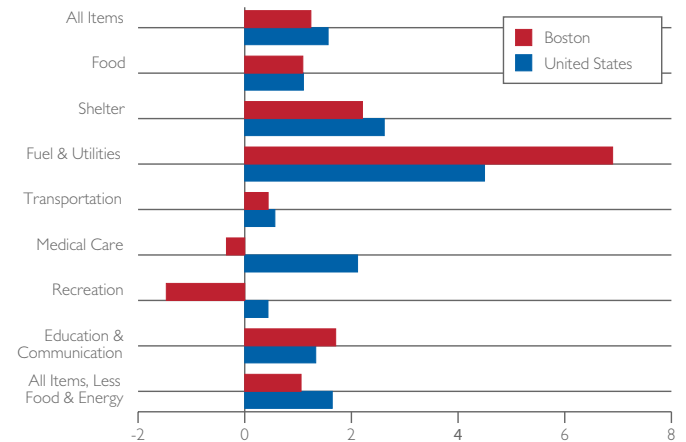
January 2004 - January 2014
Percent Change From Year Earlier



Source: U.S. Bureau of Labor Statistics.

Exhibit 5 Consumer Price Index

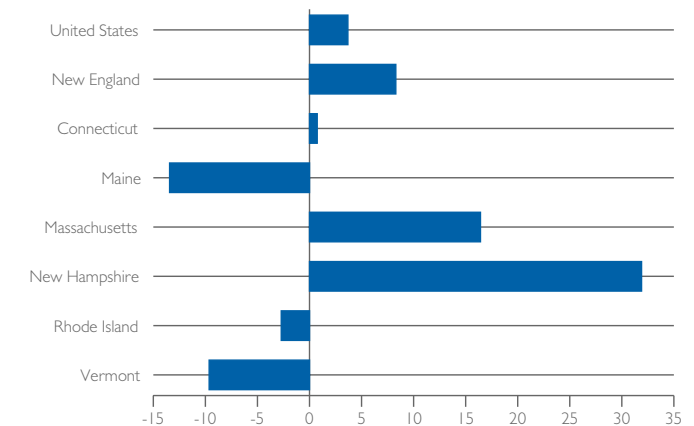
Percent Change, January 2013 to January 2014



Source: U.S. Bureau of Labor Statistics.

Exhibit 6 Exports by State

Dollar Value of Merchandise Exports
Percent Change, Fourth Quarter 2012 to Fourth Quarter 2013



Source: World Institute for Strategic Economic Research.

New England Economic

INDICATORS

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

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