

Regional economic growth continues through harsh winter

New England continued to see employment increase and unemployment rates drop into early 2015, while housing permits and exports were down relative to the same time period last year. The national economy continued to outpace the region across most measures in early 2015. Because severe winter conditions in February partly hampered economic activity in the region more than in the nation as a whole, year-over-year comparisons of regional performance through February 2015 likely overstate the extent to which the region trailed the nation.

Year-over-year employment gains persist despite slight monthly drop in February

The region continued to post consistent job growth into early 2015, with payroll employment increasing 1.4 percent between February 2014 and February 2015 (Exhibit 1). Nationally, payroll employment growth continued to strengthen, increasing 2.4 percent over this time period; this was the strongest year-over-year growth in employment since May 2000. Below average temperatures and record snowfall in February 2015 partly weighed on New England's performance: payroll employment between January and February declined by 0.05 percent regionally but increased 0.21 percent nationally.

Connecticut, Rhode Island, and Vermont reported similar declines in payroll employment between January and February 2015; payroll employment in the other New England states was relatively flat. Consequently, year-over-year payroll employment growth was relatively subdued, ranging from a slight uptick in Maine (0.05 percent) to growth of 1.7 percent in Massachusetts (Exhibit 2). Nevertheless, consistent employment growth has edged New Hampshire closer to being the third New England state to finally exceed pre-recession employment levels, after Massachusetts and Vermont. The Granite State is just 1,000 jobs short of its January 2008 peak employment level.

Nearly all regional supersectors added job in the past year

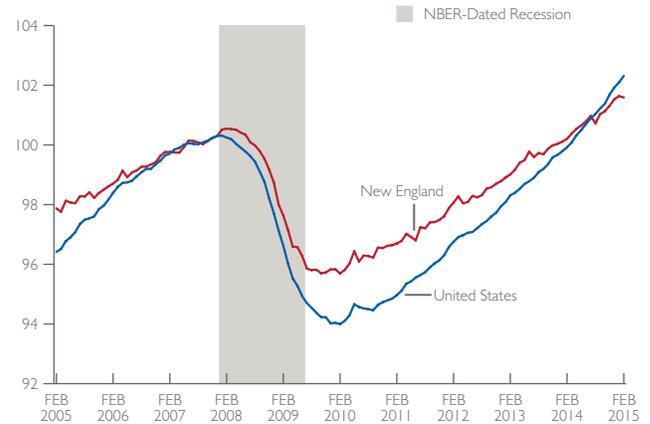
New England reported employment growth in 9 out of 10 supersectors between February 2014 and 2015 (Exhibit 3). However, national supersectors exceeded the growth rates of regional counterparts in all but two sectors over this time period: Other Services and Government. Regionally, the strongest gains came in Professional & Business Services (2.6 percent), while nationally Construction (5.3 percent) posted the largest gains. Manufacturing was the only sector in New England to decline in employment, dropping 0.5 percent between February 2014 and February 2015. This marked the 41st straight month of year-over-year declines in regional Manufacturing employment. In comparison, the United States posted its 53rd straight month of year-over-year employment gains in Manufacturing.

Connecticut has the highest unemployment rate in the region

For the first time since November 2006, Rhode Island does not have the highest unemployment rate in New England. The Ocean State's unemployment rate dropped from 8.4 percent in February 2014 to 6.3 percent in February 2015, the largest decline in the nation over this time period (Exhibit 4). Consequently, more modest unemployment

Exhibit 1 Nonagricultural Employment

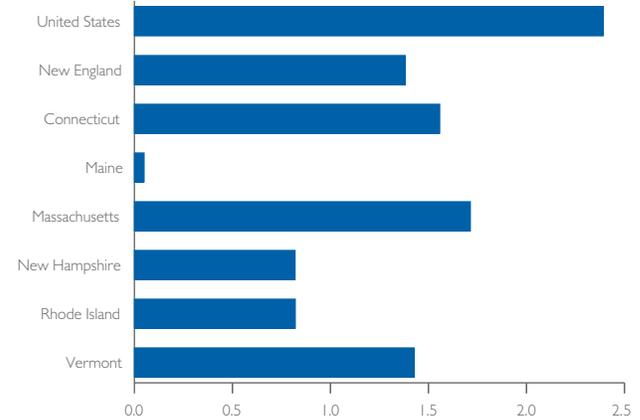
February 2005 - February 2015
Index 2007=100



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

Exhibit 2 Nonagricultural Employment

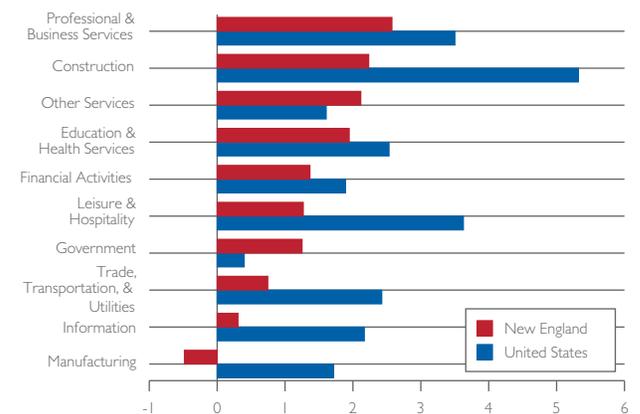
Percent Change, February 2014 to February 2015



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

Exhibit 3 Employment Growth by Supersector

Percent Change, February 2014 to February 2015



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.

rate declines in Connecticut (0.6 percentage points) left that state with the highest unemployment rate in the region: 6.4 percent. While these two states' unemployment rates have improved they remain well above the national and regional rates of 5.5 and 5.3 percent, respectively. At the other end of the spectrum, New Hampshire and Vermont both reported unemployment rates of 3.9 percent in February 2015, ranking them among the 10 states with the lowest unemployment rates in the nation.

Severe winter weather slows housing permits

The housing sector in New England also experienced a notable drop off in activity in February 2015, partly due to severe winter weather. While February is traditionally a slow month for housing permits, permits for single-family homes in New England this year were down 40.6 percent from January 2015 (Exhibit 5). Nationally housing permits dropped by just 5.5 percent over the same period. Single-family permits declined across all states in the region over this time period, ranging from 21.8 percent in Connecticut to 63.1 percent in Maine. As a result, 731 single-family housing permits were issued in February 2015, a tie for the lowest number on record dating back to 1969.

Export activity slumps in the second half of 2014

Following a recent spurt of growth in regional exports in 2013 and early 2014, the dollar value of exports from New England dropped in the second half of 2014 (Exhibit 6). New England posted two consecutive quarters of declining year-over-year exports to end 2014, while the United States posted its 20th consecutive quarter of year-over-year growth in Q4 2014. Connecticut and Massachusetts, which account for over 75 percent of the dollar value of the region's exports, experienced the largest declines among the New England states in the second half of 2014. Subsequently, the value of exports from the region is still below peak levels achieved in Q2 2008.

New England Economic INDICATORS

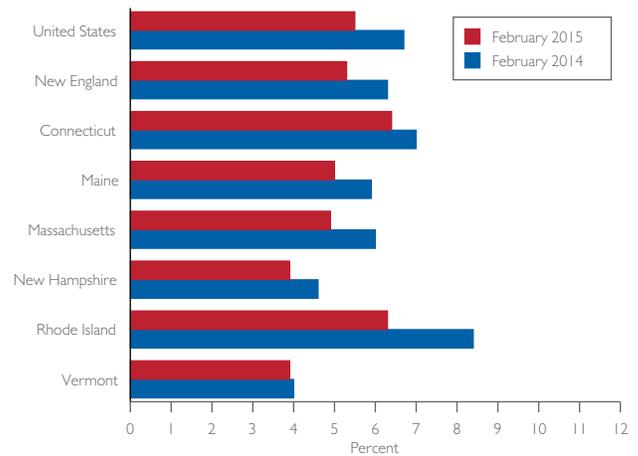
New England Economic Indicators is published by the Federal Reserve Bank of Boston.

New England Economic Indicators aggregates data released prior to March 30, 2015.

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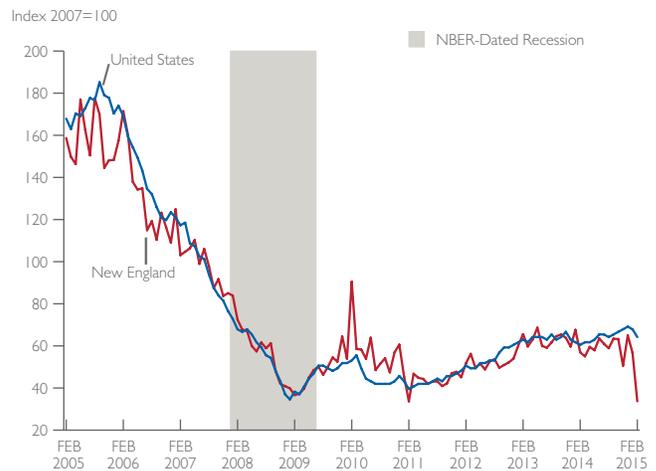


Exhibit 4 Unemployment Rates



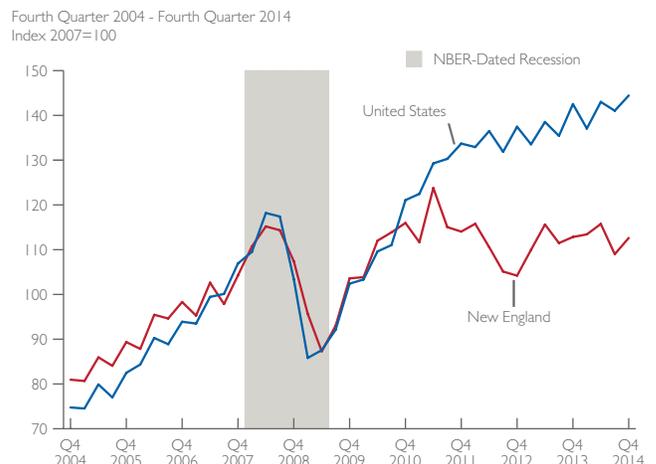
Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted.

Exhibit 5 Single-Family Home Permits



Source: U.S. Census Bureau. Data are seasonally adjusted.

Exhibit 6 Total Merchandise Exports



Source: World Institute for Strategic Economic Research.