

The New England economy continues to improve, but lags the nation in most measures

The New England region continues to experience moderate growth across many economic measures. Employment growth continues at a modest pace while unemployment rates continue to fall. Home prices continue to make modest gains, albeit at a slower pace than in recent quarters. Similarly, through Q4 2015 wage and salary income is up from one year earlier, but the rate of growth of such income is noticeably slower than it was one year ago. Across all metrics, except unemployment rates, New England is trailing the nation.

Employment growth continues at a modest pace

The region continued to post decent job growth into early 2016, with payroll employment increasing 1.6 percent between February 2015 and February 2016 (Exhibit 1). This rate of growth is an improvement relative to year-over-year gains in the past six months, when New England's employment increased at a more modest pace of 1.0 to 1.2 percent. Nationally, payroll employment growth continues to exceed regional growth, increasing 1.9 percent through February 2016.

Within New England, New Hampshire posted the strongest year-over-year job gains, increasing employment by 2.2 percent between February 2015 and February 2016. Massachusetts experienced the second fastest employment growth rate, matching the national rate of 1.9 percent. Employment gains in the other New England states ranged from 0.9 percent in Connecticut to 1.5 percent in Rhode Island and Vermont.

Construction leads industry employment gains

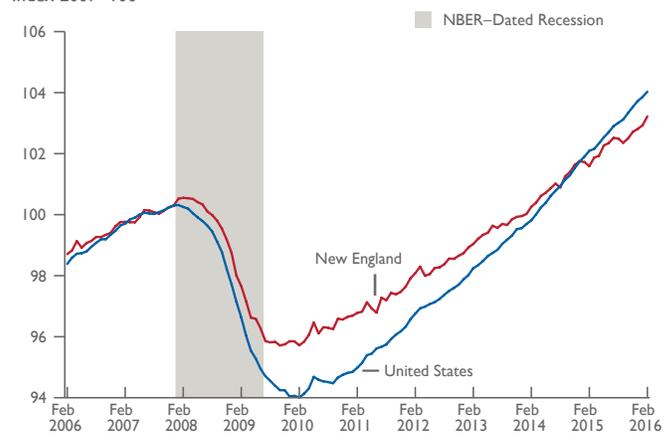
New England reported employment gains in 9 out of 10 supersectors between February 2015 and 2016 (Exhibit 2). Manufacturing was the only sector to report job losses, falling a slight 0.02 percent in New England but experiencing a modest 0.1 percent increase nationwide. This was the fourth consecutive month in which Manufacturing employment in the region declined on year-over-year basis. The strongest job growth in the region came in the Construction industry, where employment increased 8.3 percent year-over-year through February 2016. Regional growth in Construction employment was more than double the national rate and was the fastest rate of growth for the industry in New England since March 2000. The region's large Construction employment gains are the result of double-digit growth in Construction employment in Massachusetts, New Hampshire, and Rhode Island.

New Hampshire is tied for lowest unemployment rate in the nation

Between February 2015 and 2016 the unemployment rates in the New England states declined between 0.3 percentage points (Vermont) and 1.1 percentage points (Maine) (Exhibit 3). These declines reduced the regional unemployment rate from 5.2 percent in February 2015 to 4.5 percent in February 2016. New England's unemployment rate remains lower than the national rate, as it has for nearly eight consecutive years. New Hampshire's 2.7 percent unemployment rate is the lowest in the region and is tied with South Dakota for the lowest rate in the nation. Connecticut has the highest unemployment rate in the region at 5.5 percent, and ranks a lackluster 36th among the 50 states on this measure.

Exhibit 1 Nonagricultural Employment

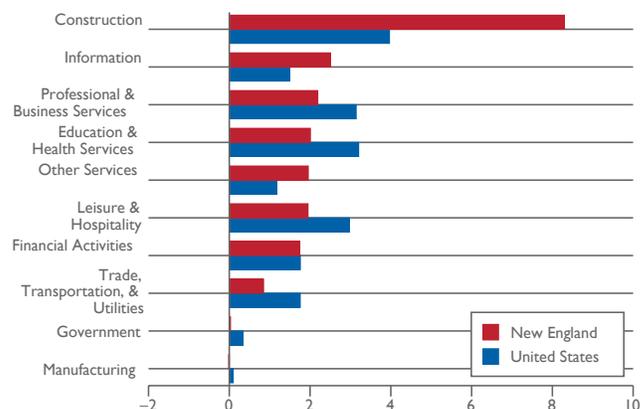
February 2006 – February 2016
Index 2007=100



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

Exhibit 2 Employment Growth by Supersector

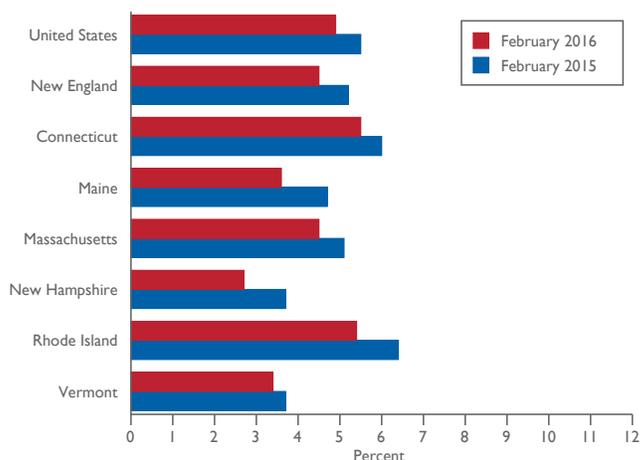
Percent Change, February 2015 to February 2016



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.

Wage and salary income increases for fifth straight year

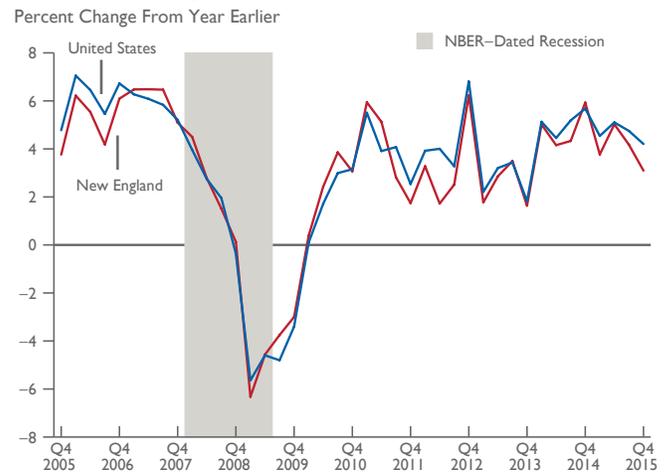
Incomes in New England and the United States continued to grow at a moderate pace through the end of 2015. Wage and salary disbursements, the largest component of income, were up year-over-year by 4.2 percent nationally and 3.1 percent regionally in Q4 2015 (Exhibit 4). All six New England states experienced year-over-year gains in wages and salaries, through the rate of growth ranged between 1.7 percent in Connecticut and 4.0 percent in Massachusetts. This marks five consecutive years of year-over-year gains in wage and salary income both nationally and regionally. However, the latest rate of growth for New England is noticeably lower than the 4.2 percent growth pace observed in the region in Q4 2015.

Growth in New England home prices slows

Home prices continued to grow both nationally and regionally, with national growth rates continuing to exceed regional rates (Exhibit 5). Between Q4 2014 and Q4 2015, home prices increased 5.5 percent nationally and 3.4 percent regionally. The national growth rate in home prices has been fairly consistent over the past two years, while year-over-year growth in home prices in New England gradually decelerated over the course of the last year.

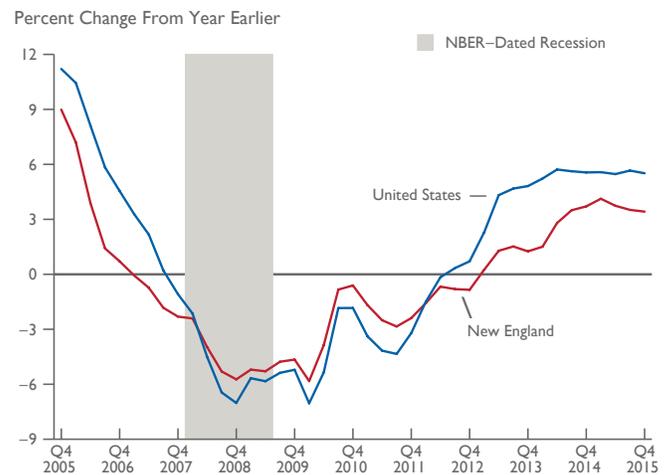
The deceleration of home price growth in New England comes largely from slow growth rates in Connecticut and Vermont (Exhibit 6). Both of these states experienced slowing year-over-year growth in home prices in the past year and saw much slower home price growth in Q4 2015 than did the remaining four New England states. Home price gains in the other New England states trailed the national rate and ranged from 3.6 percent in New Hampshire to 4.8 percent in Massachusetts between Q4 2014 and Q4 2015.

Exhibit 4 Wage & Salary Disbursements



Source: U.S. Bureau of Economic Analysis.

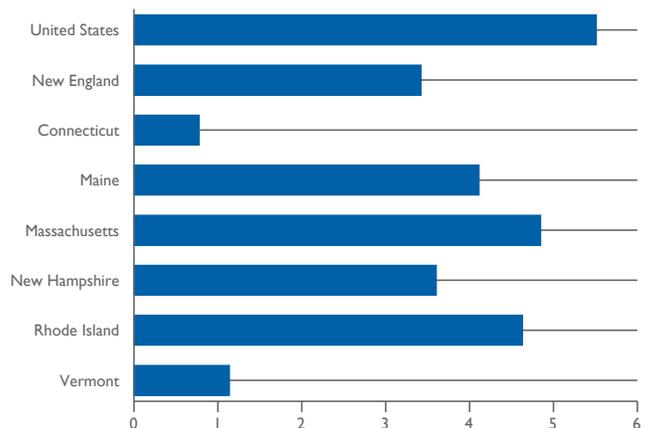
Exhibit 5 FHFA House Price Index



Source: Federal Housing Finance Agency.

Exhibit 6 FHFA House Price Index

Percent Change, Fourth Quarter 2014 to Fourth Quarter 2015



Source: Federal Housing Finance Agency.

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 25, 2016.

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