

New England's economic recovery continues at a modest pace

The New England economy grew at a modest pace in early 2013, with Massachusetts outperforming the other New England states on many economic indicators. However, by most measures, the pace of recovery in the region continues to lag behind that of the nation as a whole.

Regional employment gains continue to lag national growth

Employment gains continued at a moderate pace across the nation and region (Exhibit 1). Between May 2012 and May 2013 employment in the New England region increased by 1.1 percent (78,300 jobs), trailing the 1.6 percent job growth experienced nationwide over this time period. While the region has seen continuous year-over-year job gains for nearly three years, May 2013 marks the twenty-seventh straight month of lagging employment growth in New England relative to the nation. As of May 2013, the United States had recovered 72.3 percent of the jobs lost in the Great Recession, while New England had recovered 70 percent of its job losses.

Across the region employment growth between May 2012 and May 2013 trailed national job growth in every state except New Hampshire, where employment growth mirrored the national rate (1.6 percent). Year-over-year job growth among the remaining states ranged from 0.2 percent in Maine to 1.5 percent in Massachusetts. Massachusetts is the only New England state to have gained back all the jobs lost in the Great Recession as of May 2013, with the Commonwealth recovering 106.5 percent of the employment lost in the recession. In the other New England states the jobs gained in the recovery to date ranged from just 25.4 percent in Rhode Island to 69.5 percent in Vermont.

Unemployment rates decline across all New England states

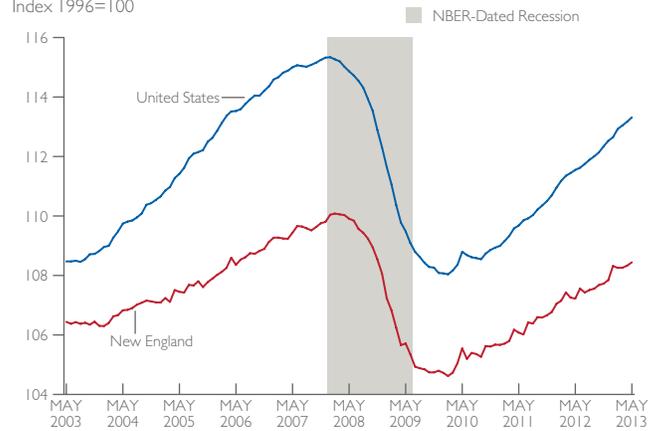
After reaching a post-recession low of 6.8 percent in April 2013, New England's unemployment rate increased slightly to 6.9 percent in May, down from 7.3 percent in May 2012 and well below the national rate of 7.6 percent (Exhibit 2). Across the region, the unemployment rate in every New England state declined year-over-year to reach a post-recession low in either April or May of 2013. As of April, rates in Massachusetts (6.4 percent), Rhode Island (8.8 percent), and Vermont (4.0 percent) reached their respective post-recession lows before ticking up in May, while rates in Connecticut (8.0 percent), Maine (6.8 percent), and New Hampshire (5.3 percent) reached their lowest post-recession rates in May.

Wage and salary growth continues for the third straight year

Through the first quarter of 2013, year-over-year wage and salary disbursement growth continued for the thirteenth straight quarter

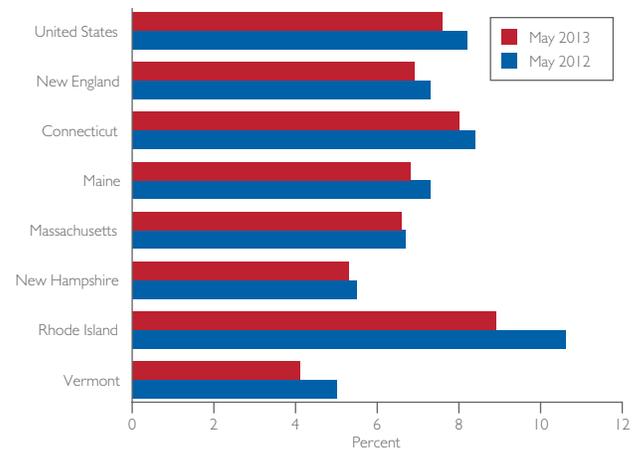
Exhibit 1 Nonagricultural Employment

May 2003 – May 2013
Index 1996=100



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

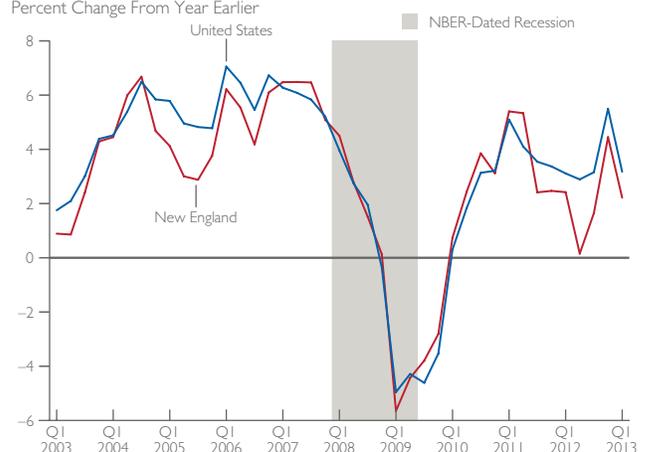
Exhibit 2 Unemployment Rates



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

Exhibit 3 Wage & Salary Disbursements

First Quarter 2003 – First Quarter 2013
Percent Change From Year Earlier



Source: U.S. Bureau of Economic Analysis.

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both regionally and nationally (Exhibit 3). Year-over-year growth in wage and salary income in the first quarter of 2013 was 2.2 percent in New England and 3.2 percent in the United States. However, growth in wage and salary disbursements was much slower than in the previous quarter, when the region and nation posted gains of 4.4 percent and 5.5 percent, respectively. Among the New England states, New Hampshire posted the strongest year-over-year increase in wage and salary income through the first quarter of 2013, at 4.9 percent. Rhode Island trailed all states in the region with wage and salary income growth of just 0.6 percent over this time period.

New England home prices register gains for the first time in nearly six years

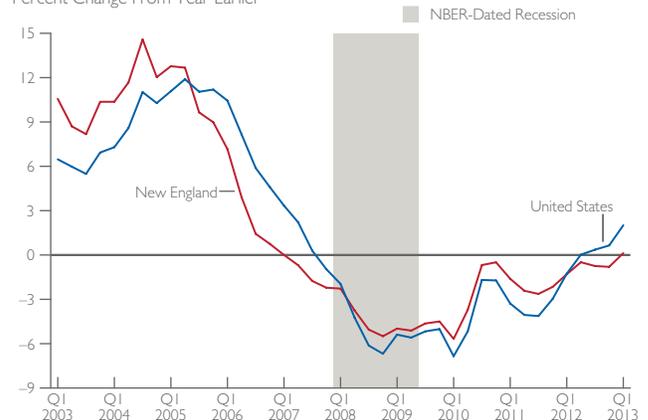
Between the first quarters of 2012 and 2013 home prices in New England grew 0.1 percent, ending nearly six years of consecutive year-over-year declines (Exhibit 4). In comparison, home prices increased nationwide for the third successive quarter, growing by 2.0 percent between the first quarters of 2012 and 2013. However, gains in house prices in New England over this period were limited to Massachusetts (1.3 percent) and Vermont (0.3 percent), with price declines in the other states ranging between -0.2 percent in Maine to -1.5 percent in Rhode Island.

Construction activity rises with the real estate market

Along with growth in house prices, increasing home sales activity and diminishing levels of foreclosures indicate that the real-estate market is beginning to recover from the housing crisis. In turn, construction activity related to residential real estate has begun to show signs of life. Single-family permits and the dollar value of residential construction contracts in May 2013 exceeded their year-earlier levels by 33.3 and 14.8 percent, respectively, in the region; the corresponding figures for the United States were 10.6 and 23.8 percent (Exhibits 5 and 6). Further, single-family housing permits in May 2013 exceeded 1,500 for just the second time since February of 2008, and the value of New England residential construction contracts in 2013 reached its highest level since early 2008.

Exhibit 4 FHFA House Price Index

First Quarter 2003 – First Quarter 2013
Percent Change From Year Earlier



Source: Federal Housing Finance Agency.

Exhibit 5 Single Family Permits

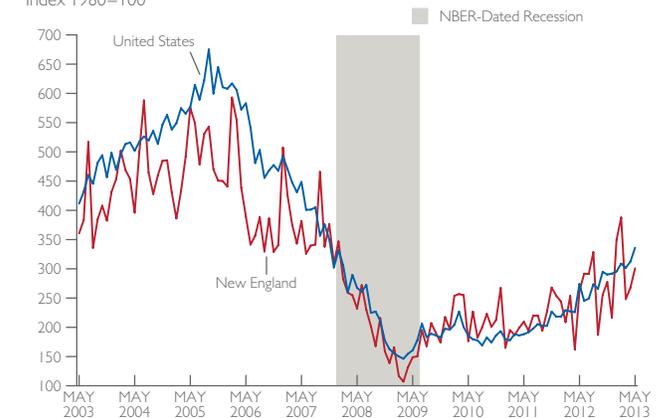
May 2003 – May 2013
Index 1988=100



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

Exhibit 6 Value of Residential Construction Contracts

May 2003 – May 2013
Index 1980=100



Source: McGraw-Hill Construction Dodge. Data are seasonally adjusted.

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 June 28, 2013. 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.

