

New England economic indicators improve following a slow start in 2015

After starting 2015 with slower growth across a number of economic indicators, the New England economy is again experiencing modest growth rates according to most measures. Recently, employment growth has accelerated, unemployment rates have declined, and initial unemployment insurance claims have dropped, all reaching levels last seen prior to the Great Recession. In addition, falling gasoline prices and utility costs are helping to keep regional and national consumer price growth down while wages continue to grow at a consistently moderate pace.

Regional employment growth accelerates in the first half of the year

Following a slow start to the year, employment growth in New England accelerated through March, April and May (Exhibit 1). By May 2015, regional year-over-year employment growth reached 1.7 percent, the fastest rate of growth since February 2001. National year-over-year employment growth has exceeded regional trends throughout the year, consistently growing by 2.2 to 2.3 percent each month in 2015.

Within New England, Massachusetts posted the strongest year-over-year job gains, increasing employment by 2.1 percent from May 2014 to May 2015. Maine posted the slowest growth in the region, increasing employment by 0.8 percent over this time period. Persistent, moderate growth in New Hampshire pushed employment levels in March 2015 above their pre-recession peak. Along with Massachusetts and Vermont, this marks the third New England state to surpass its pre-recession employment peak.

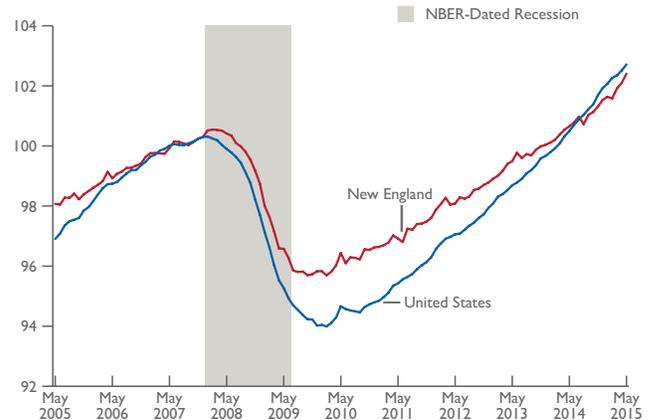
Unemployment rates and insurance claims hit post-recession lows

Until October 2014, the unemployment rates in New England (5.7 percent) and the United States (5.8 percent) were on a trajectory to reach the same level for the first time since the start of the Great Recession (Exhibit 2). Since then, the region's unemployment rate has steadily fallen, reaching a new post-recession low of 4.9 percent in May 2015. In particular, Maine, Massachusetts, and Rhode Island have seen unemployment rates decline by nearly a percentage point or greater over this time period. By comparison, the United States' unemployment rate gradually fell to 5.5 percent in February 2015, but has since fluctuated around this level and remained at 5.5 percent in May 2015.

Fewer unemployed workers are one factor helping to keep unemployment rates down, as reflected in the decline in initial claims for unemployment insurance (Exhibit 3). In May 2015, the United States recorded 270,600 initial claims for unemployment insurance, hitting the lowest number of claims since November 1973 and reflecting record low levels of layoffs. At a regional level where claims are more volatile, initial claims in early 2015 fell to their lowest levels since December 2001. Across New England, all six states recorded near post-recession lows for initial unemployment insurance claims in early 2015.

Exhibit 1 Nonagricultural Employment

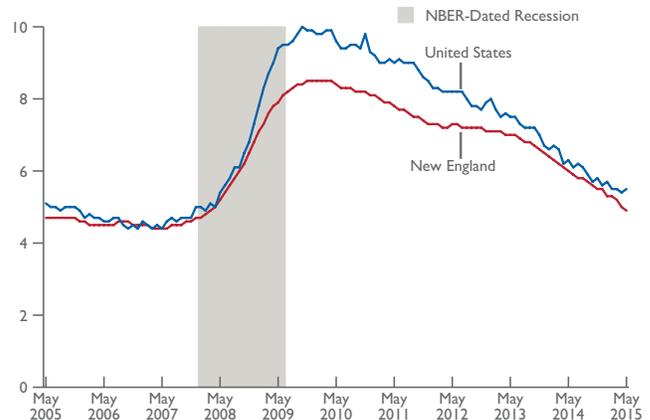
May 2005 – May 2015
Index 2007=100



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

Exhibit 2 Unemployment Rate

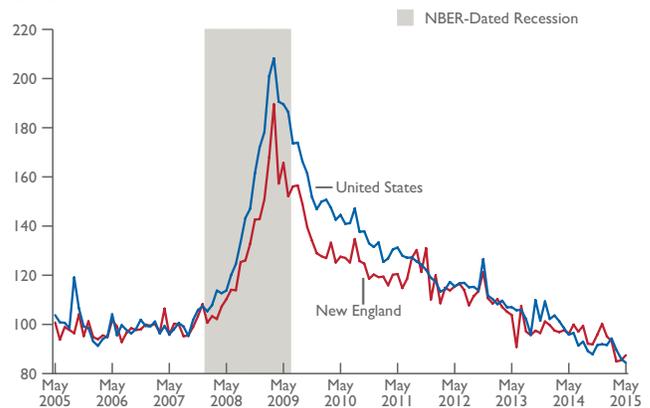
May 2005 – May 2015
Percent



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

Exhibit 3 Initial Claims for Unemployment Insurance

May 2005 – May 2015
Index 2007=100



Source: U.S. Department of Labor, Federal Reserve Board of Governors, and Federal Reserve Bank of Boston. Data are seasonally adjusted.

Declining gas and utility prices slow consumer price growth

Consumer prices continued to grow regionally at a fairly subdued pace in early 2015, while slightly declining nationwide (Exhibit 4). Prices in New England increased at the slowest rate since 2010, up 0.6 percent between May 2014 and May 2015. Nationally, consumer prices recorded their fifth straight month of year-over-year declines, dropping a slight 0.04 percent in May 2015.

These recent consumer price trends are largely driven by the significant decline in gasoline prices pushing down transportation costs, and by more modest declines in utility prices (Exhibit 5). Excluding more volatile price categories, such as food and energy, year-over-year consumer prices through May increased at a more moderate pace in New England (2.3 percent) and the United States (1.7 percent).

Regional and national incomes continue to grow at a similar pace

Incomes in New England and the United States continued to grow at a persistent pace through the first quarter of 2015, with regional and national trends mirroring each other closely for nearly the third straight year (Exhibit 6). Wage and salary disbursements, the largest component of income, were up year-over-year by 4.8 percent nationally and 4.4 percent regionally in Q1 2015. While income growth in both New England and the United States was down slightly from their Q4 2014 levels, these gains still exceeded average growth rates over the past few years. All six New England states experienced year-over-year wage and salary growth in excess of 3 percent in Q1 2015, with Connecticut, New Hampshire, and Vermont exceeding regional and national growth rates.

New England Economic INDICATORS

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

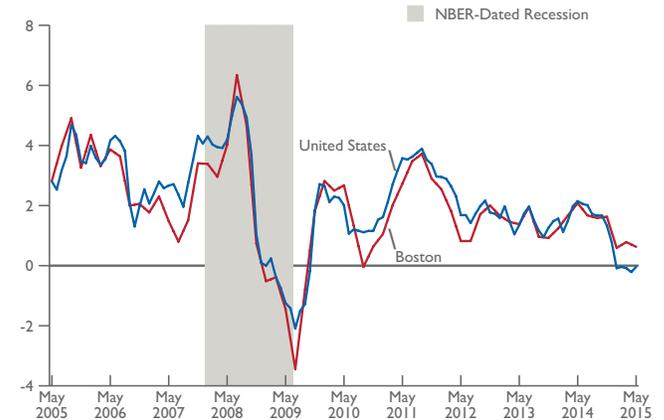
New England Economic Indicators aggregates data released prior to July 1, 2015.

Visit the New England Economic Indicators' webpage and explore its new interactive application. Easily compare, contrast, and download economic data across New England with a few simple clicks: www.bostonfed.org/economic/nee.



Exhibit 4 Consumer Price Index

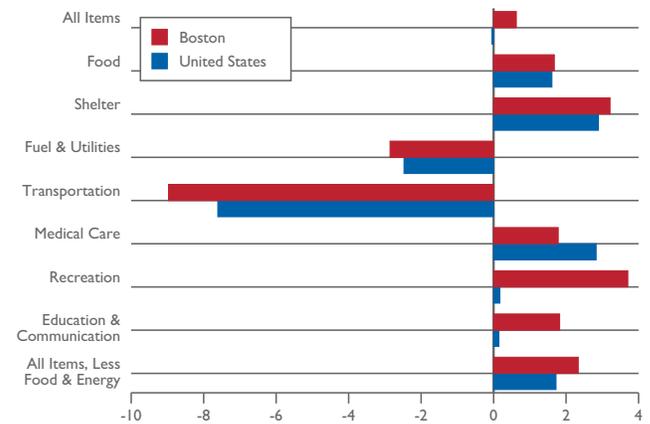
May 2005 – May 2015
Percent Change From Year Earlier



Source: U.S. Bureau of Labor Statistics.

Exhibit 5 Consumer Price Index

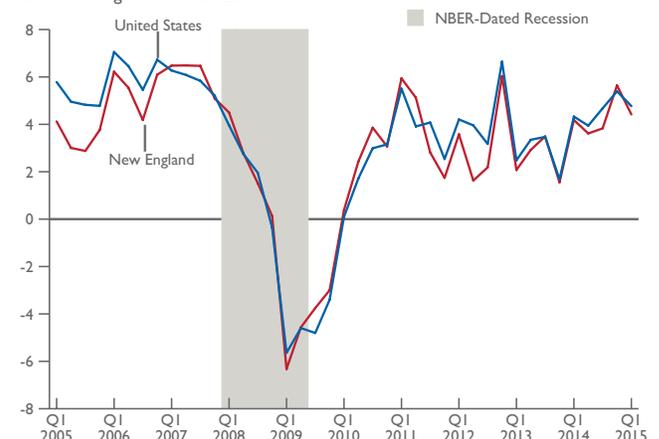
Percent Change, May 2014 to May 2015



Source: U.S. Bureau of Labor Statistics.

Exhibit 6 Wage & Salary Disbursements

Percent Change From Year Earlier



Source: U.S. Bureau of Economic Analysis.