

A modest recovery continues for 2013

New England and the United States continued to recover at a modest pace through 2013. Slower employment gains and a rising unemployment rate served to curb the region's recovery. On the positive side, overall inflation has been fairly stable and New England's subdued export market has started to pick up in recent quarters.

National employment gains continue to outpace New England

New England and the United States continued to add jobs at a modest pace during 2013, but the region has consistently trailed the pace of the nation (Exhibit 1). Between August 2012 and August 2013, employment grew by 1.6 percent nationally and 1.1 percent in the region. This pattern of stronger national year-over-year employment growth has persisted since March of 2011. Consequently, the United States is much closer than New England to reaching pre-recession employment levels, despite having experienced a steeper and more prolonged employment decline in the Great Recession and a slower initial recovery in 2010.

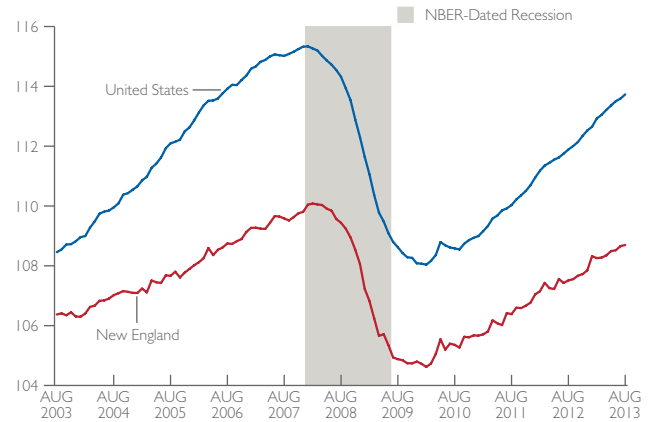
Every New England state trailed the pace of national job growth between August 2012 and August 2013. Over this period, employment gains ranged from 0.4 percent in Rhode Island to 1.5 percent in Vermont. However, the pace of the region's recovery has been uneven with some New England states such as Massachusetts and Vermont being at or near their pre-recession employment levels while others continue to lag behind. In fact, as of August 2013, Massachusetts was one of only 15 states nationwide, and the only New England state, to have exceeded pre-recession employment levels. The region's jobs recovery has lagged due to slower growth in Maine and Rhode Island, who have gained back only a small percent of jobs lost in the recession; 37.6 and 28.5 percent, respectively.

Construction employment leads the way while manufacturing employment declines

Construction employment led job growth among New England super sectors and exceeded the national year-over-year growth rate, increasing 4.1 percent through August 2013 (Exhibit 2). Connecticut, Massachusetts, and New Hampshire accounted for nearly all of the job gains in construction in the past year. The only other sector in the region where employment outpaced the nation was information. Other services, financial activities, and manufacturing employment all declined in New England but increased nationally. Manufacturing experienced the steepest decline of all sectors in the region, contracting 0.5 percent between August of 2012 and 2013. This amounted to a loss of 3,300 manufacturing jobs in the past year, 3,000 of which were lost in Connecticut alone.

Exhibit 1 Nonagricultural Employment

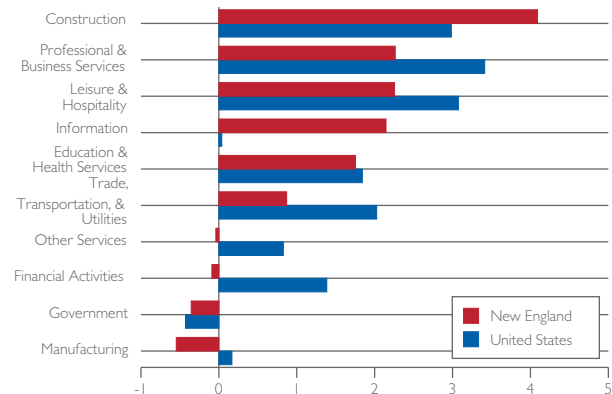
August 2003 - August 2013
Index 1996=100



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

Exhibit 2 Employment Growth by Supersector

Percent Change, August 2012 to August 2013

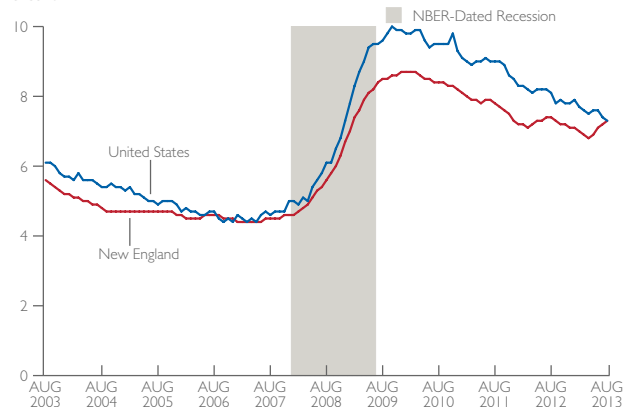


Source: U.S. Bureau of Labor Statistics.

Note: Data are seasonally adjusted. New England figure for Information includes CT, MA, and NH.

Exhibit 3 Unemployment Rate

August 2003 - August 2013
Percent



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

The gap between the regional and national unemployment rate narrowed

After reaching a post-recession low of 6.8 percent in April 2013, New England's unemployment rate has increased every month, reaching 7.3 percent in August (Exhibit 3). The national unemployment rate continued to decline over this period, also reaching 7.3 percent in August 2013. This marks the first time since May 2007 that the regional and national unemployment rates have been at the same level. Unemployment rates across the region ranged from a high of 9.1 percent in Rhode Island to a low of 4.6 percent in Vermont.

Inflation remains stable

Between August 2012 and 2013, consumer prices rose 1.9 percent in the Boston area, compared with 2.0 percent nationwide (Exhibit 4). The year-over-year increase in Boston prices was primarily driven by fuel and utilities (up 9.0 percent). Prices also increased for transportation, medical care, and education and communication (all up 2.8 percent). Slower growth in shelter, food, and recreation helped keep overall inflation in check. The core CPI, comprising all items less food and energy, increased by 1.5 and 1.7 percent in the region and nation, respectively.

Exports picked up in early 2013

The dollar value of merchandise exports from New England jumped during the first two quarters of 2013, following six quarters of decline or stagnation (Exhibit 5). In the second quarter of 2013 export values from New England were 4.6 percent above their year-earlier levels, while nationally exports increased 1.5 percent. New Hampshire's year-over-year export growth of nearly 25 percent led New England, with Massachusetts (7.4 percent) and Vermont (4.7 percent) also exceeding the regional growth rate (Exhibit 6). Strong growth in exports to Canada was the major driver behind increasing export values from these states. Conversely, Rhode Island saw exports decline sharply year-over-year (down 15.0 percent) due to weak demand from its two largest export destinations, Canada and Turkey, and declining exports from major sectors such as chemical and primary metal manufacturing.

New England Economic INDICATORS

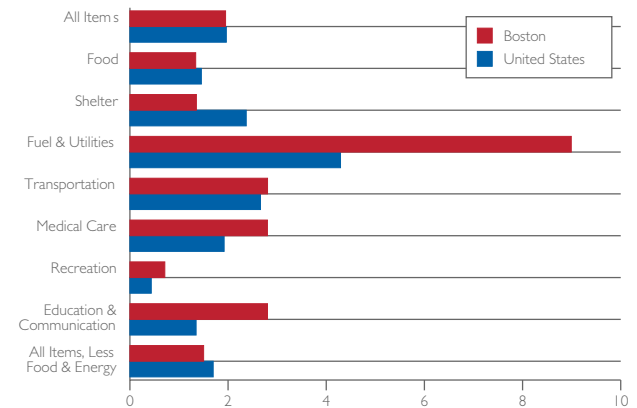
New England Economic Indicators is published by the Federal Reserve Bank of Boston.

New England Economic Indicators aggregates data released prior to September 19, 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/heeii.



Exhibit 4 Consumer Price Index

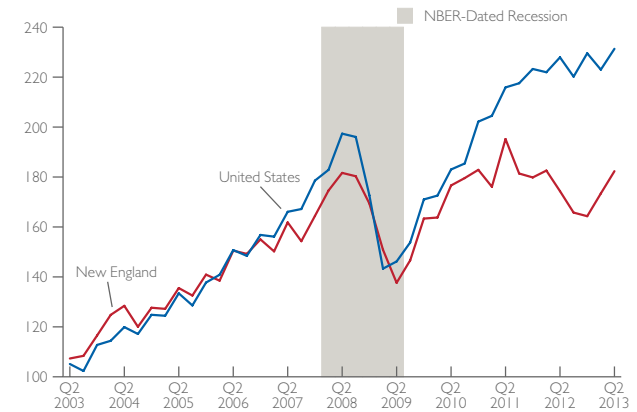
Percent Change, July 2012 to July 2013



Source: U.S. Bureau of Labor Statistics.

Exhibit 5 Total Merchandise Exports

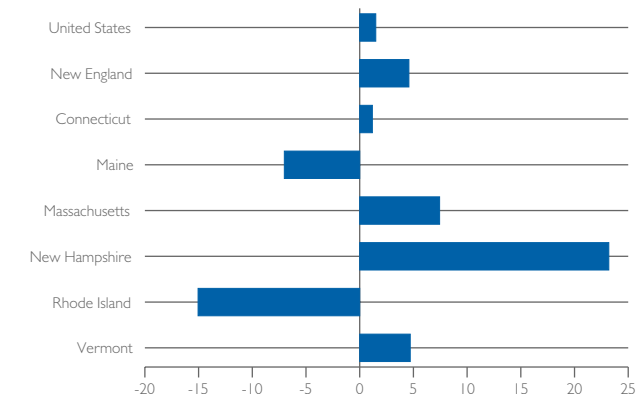
Second Quarter 2003 - Second Quarter 2013
Index 1997=100



Source: World Institute for Strategic Economic Research.

Exhibit 6 Exports by State

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



Source: World Institute for Strategic Economic Research.