

As the recovery moves beyond pre-recession levels, New England trails the United States

Despite surpassing pre-recession employment levels early this year, both the nation and region still have elevated levels of unemployment and restrained levels of housing activity. Recent increases in economic activity have generally been stronger at the national level, continuing a pattern of relatively modest regional economic growth.

The nation's employment recovery moved ahead of New England's

In second half of 2014, employment in the United States as a whole exceeded New England's employment relative to pre-recession levels for the first time in nearly seven years. During the Great Recession national employment losses on a percentage basis far exceeded those experienced in New England. Early signs of stronger employment growth in the region better positioned New England to recover the jobs lost in the downturn (Exhibit 1). However, in early 2011 national employment gains began to exceed regional gains. Following nearly three years of consistently stronger job growth nationally, both New England and the nation surpassed their pre-recession employment levels in May 2014. This pattern of growth has persisted through September 2014, elevating national employment above regional employment relative to pre-recession levels for the first time since the Great Recession.

The only New England state to have recovered the jobs lost in the recession is Massachusetts. Job losses in Vermont between August and September of 2014 pushed the state out of second-place in terms of proximity in percentage terms to pre-recession peak employment levels, a position now occupied by New Hampshire.

Regional and national industry trends differ

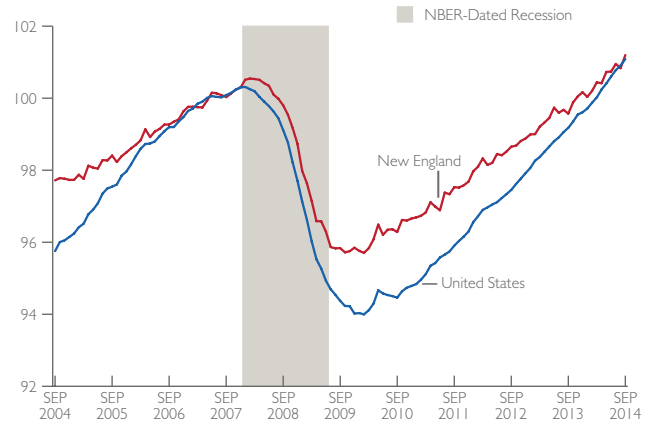
Considering year-over-year employment growth rates by supersector for September 2014, New England's Information sector stands out for having by far the greatest employment growth in the region and significantly greater growth than was experienced in the same sector nationally. The Leisure and Hospitality sector had the second-strongest employment growth in the region, just slightly higher than the national growth rate in the same sector. Construction and Professional and Business Services—in third and fourth place in the region, respectively—saw modest employment growth rates that fell short of national trends. The Manufacturing sector posted the lowest employment growth rate in the region and fared much worse than in the United States as a whole, while the Government sector posted very minor—and roughly equal—employment gains in New England and the United States. Although small, New England's job gains in Manufacturing and Government represent improvements relative to the year-over-year job losses seen in these sectors during most of 2013 and 2014.

New England's unemployment rate trends upward

In recent months the New England region experienced slight increases in the rate of unemployment (Exhibit 3). After reaching a post-recession low of 5.7 percent in June 2014, the regional unemployment rate increased by 0.1 percentage points each of the following three months, reaching 6.0 percent in September 2014. Within the region

Exhibit 1 Nonagricultural Employment

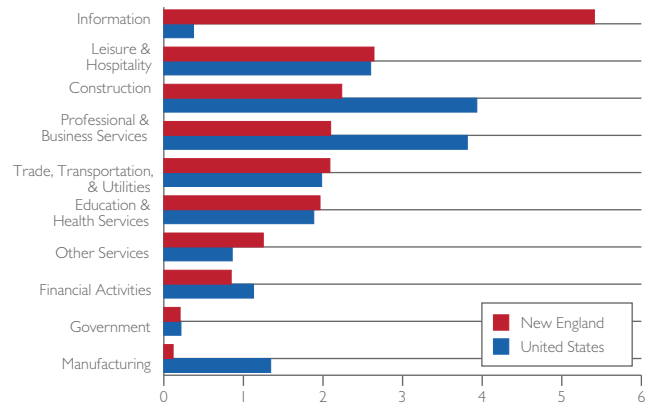
September 2004 - September 2014
Index 2007=100



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

Exhibit 2 Employment Growth by Supersector

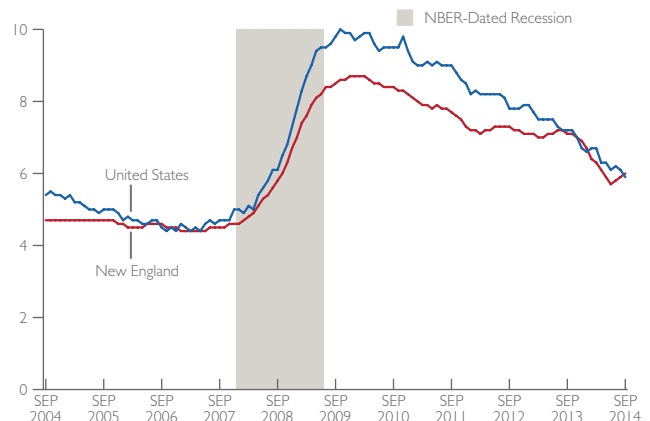
Percent Change, September 2013 to September 2014



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 Rate

September 2004 - September 2014
Percent



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

continued on page 2

most states experienced relatively modest changes in their unemployment rates over this period, although Massachusetts and Vermont experienced notable increases of 0.5 and 1.0 percentage points, respectively. With the national unemployment rate trending downward, the regional rate rose slightly above the national rate (5.9 percent) in September 2014.

Housing permits activity remains flat in 2014

National and regional residential real estate markets improved in the second half of 2014, with increasing property values and diminishing foreclosure activity. However, construction activity related to housing was relatively unchanged in the past year. For example, while the number of single-family housing permits has oscillated from month to month, permit activity was relatively muted year-over-year, modestly increasing nationally and slightly declining in the region between September 2013 and 2014 (Exhibit 4). And while permit activity is above levels experienced at the trough of the Great Recession, it remains well below peak levels preceding the recession and is comparable to levels of activity experienced in the late 1980s and early 1990s.

Recent gains leave regional export activity unchanged year-over-year

The dollar value of merchandise exports from New England increased for three consecutive quarters through the second quarter of 2014, following two quarters of decline (Exhibit 5). These gains put New England's export activity slightly above pre-recession levels reached in 2008, but well below the current national level of exports relative to the pre-recession level.

In the second quarter of 2014 exports from New England were essentially unchanged from their year-earlier levels, while nationally exports were up 3.2 percent (Exhibit 6). Export activity among the states in the region varied, with Massachusetts, New Hampshire, and Rhode Island posting year-over-year gains that exceeded the national pace of export growth. However, these gains were roughly offset by declines in exports from Connecticut, Maine, and Vermont. Weak demand from New England's two largest export partners, Canada and China, and declining exports in Transportation and Machinery Equipment weighed on regional export activity.

New England Economic

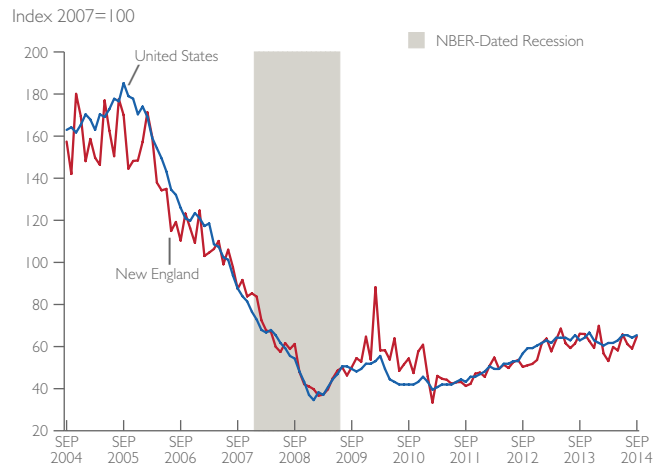
INDICATORS

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New England Economic Indicators aggregates data released prior to November 5, 2014. More current and detailed data on the New England economy are available at www.bostonfed.org/economic/nee.

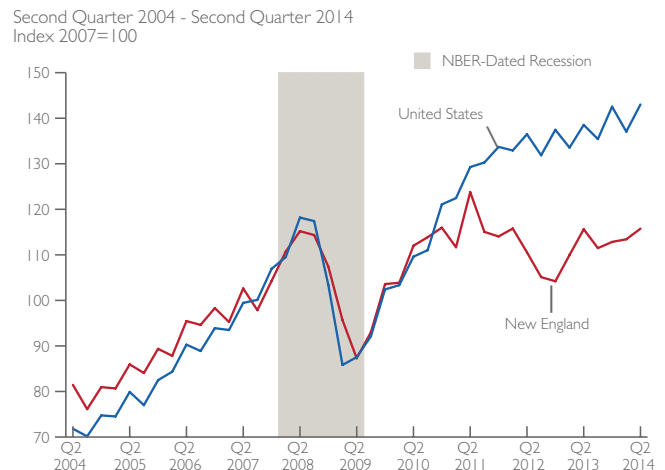


Exhibit 4 Single-Family Home Permits



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

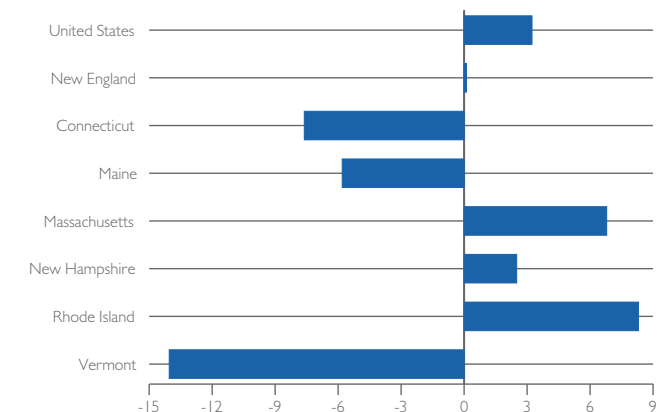
Exhibit 5 Total Merchandise Exports



Source: World Institute for Strategic Economic Research.

Exhibit 6 Exports by State

Dollar Value of Merchandise Exports
Percent Change, Second Quarter 2013 to Second Quarter 2014



Source: World Institute for Strategic Economic Research.