

Economic activity continues to improve into the second half of 2015

Continuing the trend observed in the second quarter of 2015, economic indicators improved modestly across the New England region. The region's employment picture improved: it experienced the fastest rate of year-over-year job gains since 2001 and persistent declines in unemployment rates. Home price growth continued at a modest but consistent pace in the first half of the year, while single-family permits accelerated following a slow start to the year.

New England matches pace of national job gains

The United States and New England continued to post consistent job gains into the second half of 2015. Between August 2014 and August 2015, payroll employment grew by 2.1 percent both regionally and nationally (Exhibit 1). While the United States has posted fourteen consecutive months of year-over-year jobs gains in excess of 2 percent, this was the first time that New England has recorded growth above 2 percent since February 2001.

Within the region, Massachusetts was the only state to experience year-over-year job growth above the regional and national rates, growing 2.6 percent between August 2014 and August 2015. Connecticut also managed strong job growth over this time period, increasing employment by 2.0 percent. In both Massachusetts and Connecticut, this was the strongest job growth experienced in over 14 years. The other New England states experienced modest year-over-year job gains, ranging from 1.7 percent in New Hampshire to 1.1 percent in Maine.

Professional & Business Services continue to lead regional job growth

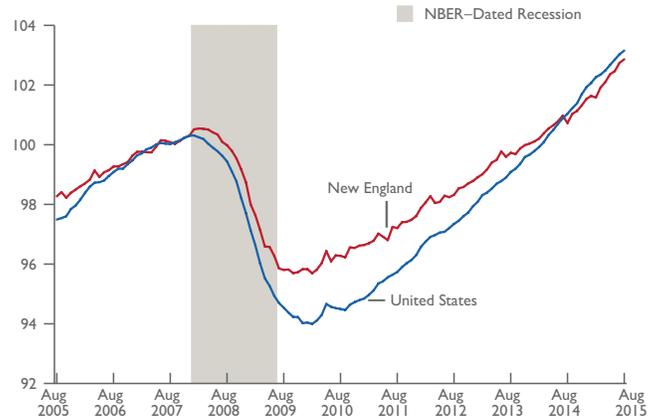
While New England and the United States experienced similar overall employment growth there was considerable variation across supersectors (Exhibit 2). All 10 supersectors recorded year-over-year job gains in August 2015, but regional gains exceed national gains in half of these sectors. The fastest growing sector in New England over this time period was Professional & Business Services, increasing 3.6 percent and exceeding the 3.3 percent sector growth nationally. Within New England, Professional & Business Services' growth was strongest in Massachusetts (4.6 percent) and Rhode Island (5.2 percent). The Construction sector grew significantly faster in the United States (3.6 percent) than in the region (1.7 percent). The Manufacturing and Government sectors continued to record the lowest rates of job growth both nationally and regionally.

Unemployment rates down across New England

All six of the New England states continued to see unemployment rates decline between August 2014 and 2015. Over this period the region's unemployment rate dropped 1.2 percentage points and as of August 2015 was 4.6 percent. Connecticut, Maine, and Rhode Island's unemployment rates all declined more than a percentage point over this time period, with Rhode Island experiencing the steepest drop of 1.8 percentage points. Rhode Island's unemployment rate decline was the largest of all states nationwide, moving the Ocean State from the 3rd highest unemployment rate in August 2014 (7.4 percent)

Exhibit 1 Nonagricultural Employment

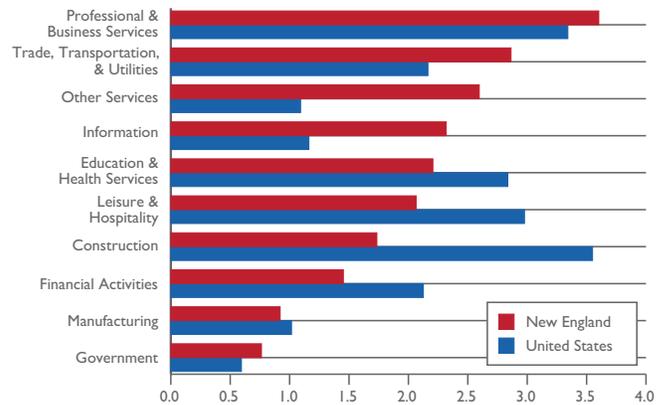
August 2005 – August 2015
Index 2007=100



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

Exhibit 2 Employment Growth by Supersector

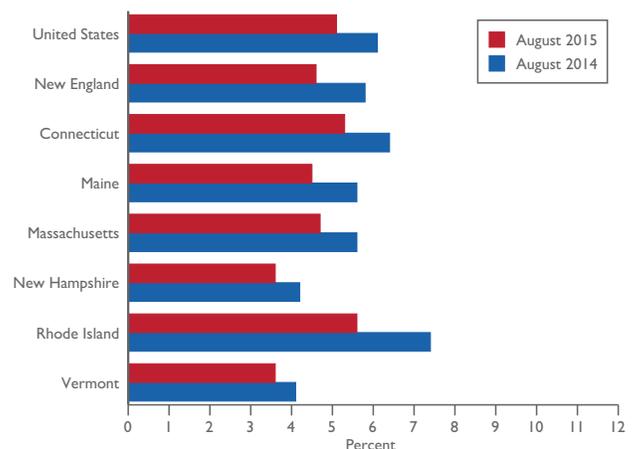
Percent Change, August 2014 to August 2015



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.

to the 17th highest rate in August 2015 (5.6 percent). Both New Hampshire and Vermont had the lowest unemployment rate in the region (3.6 percent) and tied for the 4th lowest unemployment rates in nation behind Nebraska, North Dakota, and Hawaii.

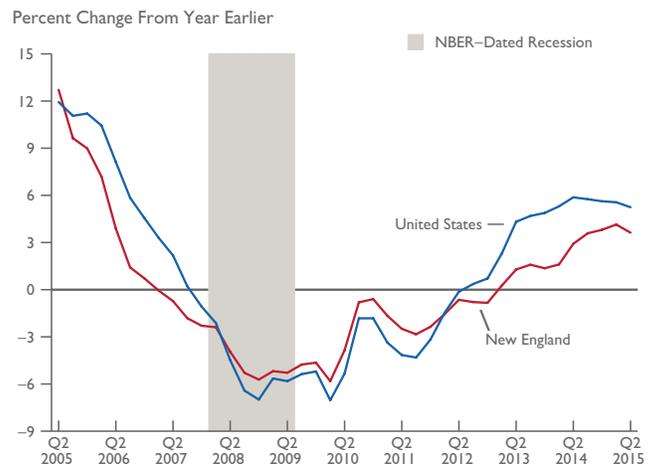
Rhode Island records fastest house price growth in region

Home prices continued to grow both nationally and regionally, with national growth rates continuing to exceed regional rates (Exhibit 4). Between Q2 2014 and Q2 2015, home prices increased 5.2 percent nationally and 3.6 percent regionally. While New England's home price growth trailed the national pace for the 10th consecutive quarter, both rates were close to the highest rates of growth experienced since 2006. All six New England states reported positive house price growth year-over-year. Rhode Island led regional home prices gains, up 5.6 percent through Q2 2015 (Exhibit 5). For the third consecutive quarter, Vermont recorded the slowest gains in home prices in the region, increasing at a modest 1.6 percent.

Single-family permits up after slow start in 2015

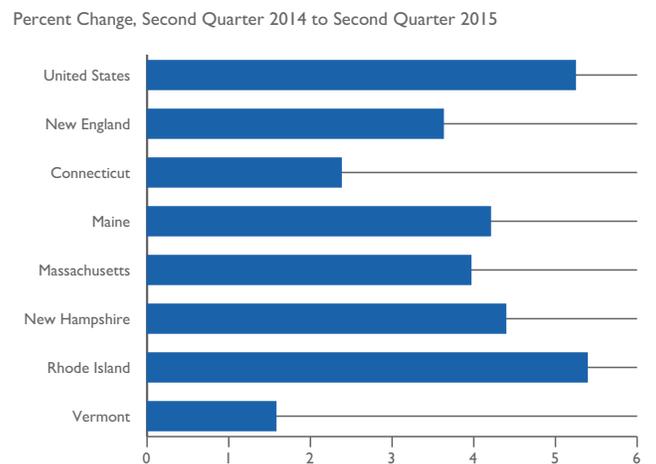
Following a notable drop-off in single-family housing permits in February 2015, New England experienced a sharp rebound in permit activity through August 2015. Across the region, 1,648 single-family permits were issued in August, the highest number of single-family permits since a small surge in February 2010. Apart from that 2010 increase, this was the most permits issued since January 2008. Nationally, single-family permits have been more persistent throughout 2015, reaching 58,000 permits issued nationally in August. Similar to New England, this reflected the most single-family permits issued in the United States since January 2008. Across the region, the number of permits issued by the New England states has been volatile from month to month, with only Massachusetts issuing more permits in August 2015 than in any month since the Great Recession.

Exhibit 4 FHFA House Price Index



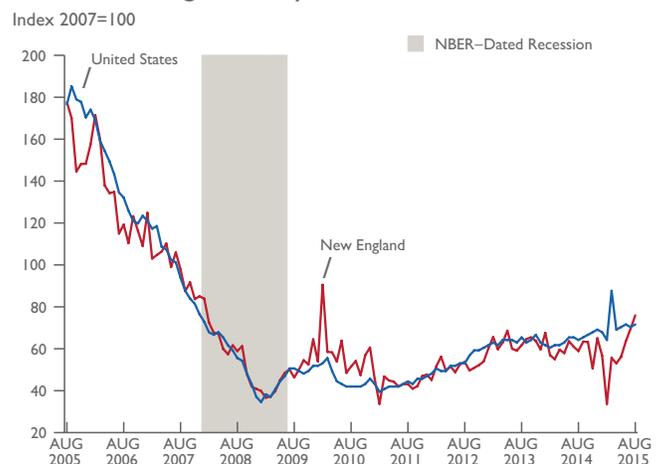
Source: Federal Housing Finance Agency.

Exhibit 5 FHFA House Price Index



Source: Federal Housing Finance Agency.

Exhibit 6 Single-Family Home Permits



Source: U.S. Census Bureau. 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 September 29, 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.

