

National economic activity outpaced New England's in 2013

While New England's economy continued to make moderate advances in 2013, the region experienced smaller gains in economic activity than the nation. Labor market indicators reveal slower growth in employment regionally than nationally and smaller improvements in unemployment. Home prices in the region started rising again on a year-over-year basis in early 2013, following roughly 6 years of declines. The housing recovery began earlier, in mid-2012, for the U.S. as a whole. The Massachusetts and Vermont economies led the region along most indicators in 2013.

New England's job growth continues to trail the national pace

The United States continued to add jobs at a faster pace than New England in November 2013, with year-over-year employment gains of 1.7 percent and 1.3 percent, respectively (Exhibit 1). This marks 33 consecutive months in which national year-over-year employment gains outpaced gains in the region. Coming out of the recession, employment in New England initially rebounded more rapidly than U.S. employment, so despite the region's slower job growth during most of the post-recession period, employment levels in both New England and the United States now stand 0.9 percent below their respective peak levels preceding the Great Recession.

Massachusetts, the only New England state to have recovered its pre-recession employment level to-date, experienced the strongest year-over-year employment growth in the region in November 2013, matching the national employment growth rate of 1.7 percent. Year-over-year job growth in the remaining New England states trailed the national rate, ranging from 0.6 percent in New Hampshire to 1.2 percent in Rhode Island. While Rhode Island's employment gains have strengthened lately, employment levels are the furthest from pre-recession levels in the region, at 5.5 percent below their peak, reached in June 2007. In comparison, Vermont's level is just 0.1 percent—or 400 jobs—below its September 2009 peak.

Unemployment rates fall in all states but Massachusetts

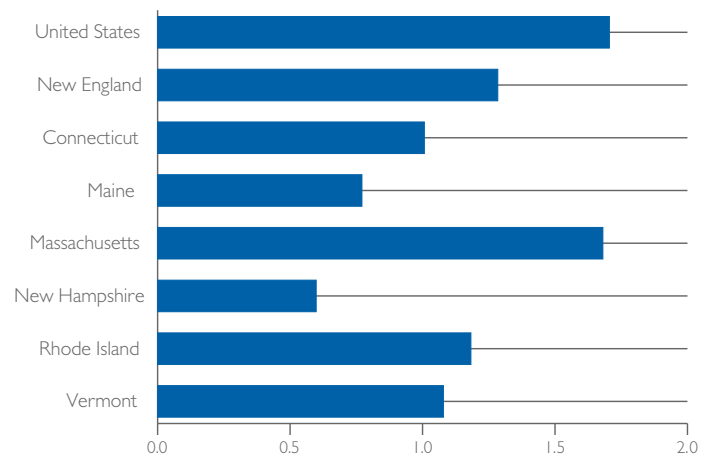
New England's unemployment rate fell to 6.9 percent in November 2013, down from 7.2 percent in November 2012 (Exhibit 2). However, it has ebbed and flowed over this period, falling to 6.8 percent in April 2013 before climbing to 7.3 percent in August, then declining to its current rate. The national unemployment rate was less volatile over this period, falling from 7.8 percent in November 2012 to 7.0 percent in November 2013. Massachusetts was the only New England state to see its unemployment rate rise over this period, reaching 7.1 percent in November 2013 and exceeding the national unemployment rate for the first time since May 2007. Despite declining by a full percentage point between November 2012 and 2013, Rhode Island's latest unemployment rate of 9.0 percent tied with Nevada's for the highest nationwide.

New England keeps pace in wage and salary growth

For the fourteenth consecutive quarter, wage and salary disbursements grew in both New England and the United States on a year-over-year basis (Exhibit 3). Wage and salary income in the third

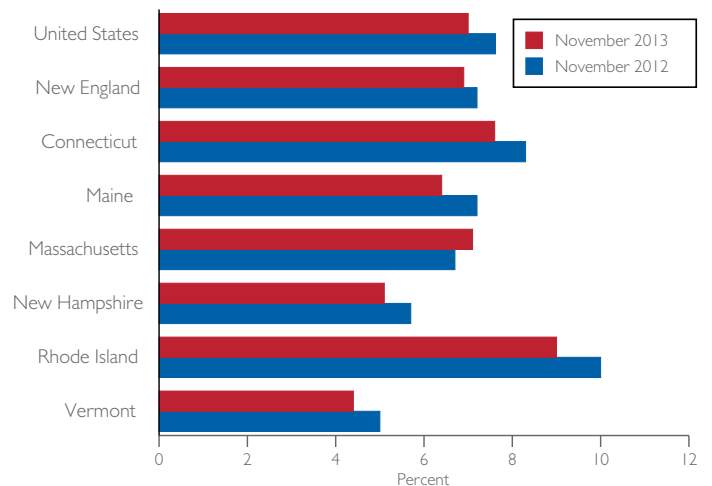
Exhibit 1 Nonagricultural Employment

Percent Change, November 2012 to November 2013



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

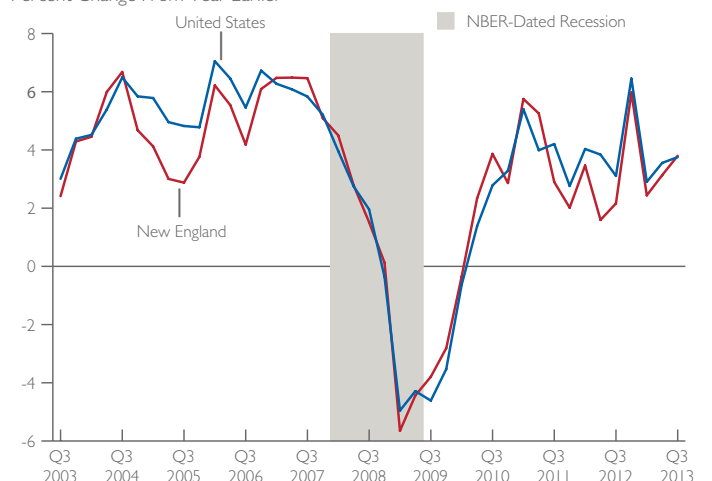
Exhibit 2 Unemployment Rates



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

Exhibit 3 Wage & Salary Disbursements

Percent Change From Year Earlier



Source: U.S. Bureau of Economic Analysis.

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quarter of 2013 was 3.8 percent above the year-earlier level in both New England and the United States as a whole. While regional and national wage and salary growth have moved along a similar trajectory the past few years, this is the first time in over two years that New England has not trailed the United States. Among the New England states, Vermont posted the strongest year-over-year increase in wage and salary income for the third quarter of 2013, at 4.6 percent. Connecticut and Maine trailed the region with wage and salary disbursements growing just 3.6 percent over this period.

Home prices continue to make gains

After starting 2013 with New England's first year-over-year growth in house prices in nearly six years, regional house price growth increased through the third quarter of 2013 (Exhibit 4). Home prices grew in the region by 1.6 percent between the third quarters of 2012 and 2013, in the largest increase since the second quarter of 2006. However, this was well behind the 4.5 percent growth rate in home prices nationally over this period (Exhibit 5). While every New England state experienced growth in house prices over this period, Massachusetts experienced significantly faster growth, at 3.2 percent, than any of the other states in the region. House price growth in other states ranged from 0.1 percent in Connecticut to 1.6 percent in New Hampshire. Although Connecticut experienced the slowest house-price growth in the region, the third quarter gain was the state's first year-over-year increase in house prices since the second quarter of 2007.

Housing gains boost construction activity

With foreclosure activity at its lowest level in years, home sales increasing, and house prices on the rise, the construction sector showed signs of life in 2013. Construction employment, the value of construction contracts, and housing permits all reached their highest levels in years due to activity related to residential real estate. For example, in 2013 single-family housing permits—both regionally and nationally—reached their highest levels since 2008 (Exhibit 6). Year-over-year to November 2013, single-family permits increased by 20.9 percent in New England, more than double the 10.4 percent national rate of increase. This marked the eighth consecutive month of double-digit year-over-year growth in single-family permits in New England. Across the New England states permit growth varied considerably, ranging from 9.3 percent in Massachusetts to 121.2 percent in Vermont. However, permits in smaller states, such as Vermont, are very volatile, and permits in the state were down 1.3 percent between October 2012 and 2013.

New England Economic

INDICATORS

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New England Economic Indicators aggregates data released prior to December 30, 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.



Exhibit 4 FHFA House Price Index

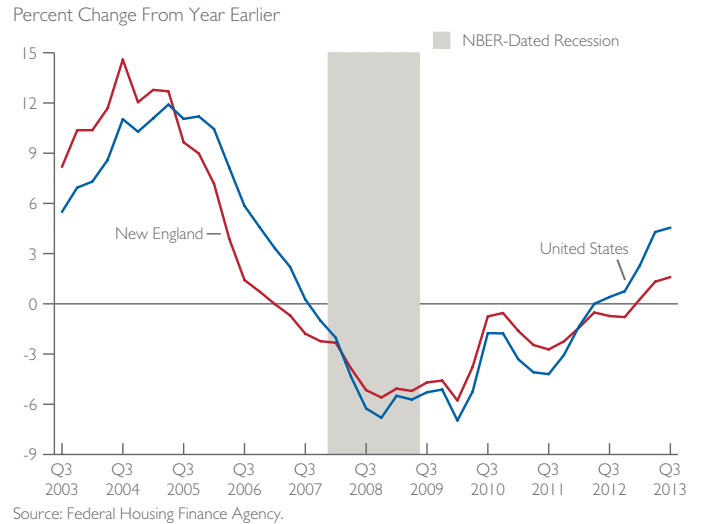


Exhibit 5 FHFA House Price Index

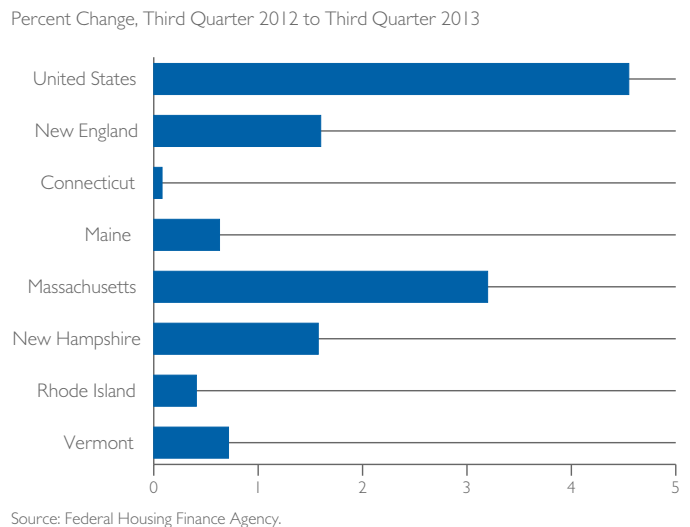


Exhibit 6 Single-Family Home Permits

