



Regional Economic Update

Regional & Community Bankers' Conference

October 4, 2022

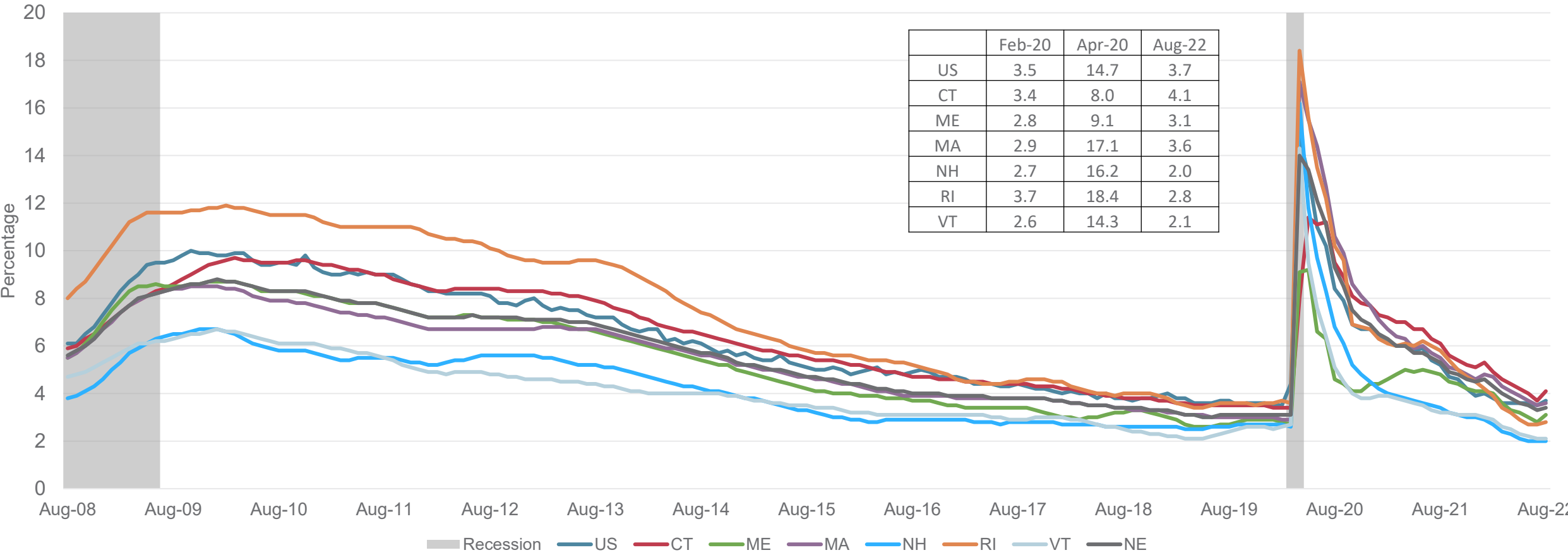
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Disclaimer: The views expressed here are those of the speaker and do not necessarily represent the views of the Federal Reserve Bank of Boston or the Federal Reserve System.

Overview

- ▶ Labor markets in New England remain tight, with low unemployment and high job openings rates;
- ▶ The pace of the post-pandemic recovery in employment and labor force, however, is slowing;
- ▶ Labor costs are rising rapidly, but wage gains have been outstripped by broad-based price increases, resulting in declining real wages;
- ▶ Price pressure in some sectors appear to be lessening, but most measures of core inflation remain elevated;
 - ▶ Housing price inflation (homes & rents) is coming down in recent months, but year-over-year changes remain elevated
- ▶ Consumer & business confidence have been mixed

Unemployment Back at Pre-pandemic Lows in Most Places



Seasonally adjusted

Source: Bureau of Labor Statistics, NBER, Haver Analytics

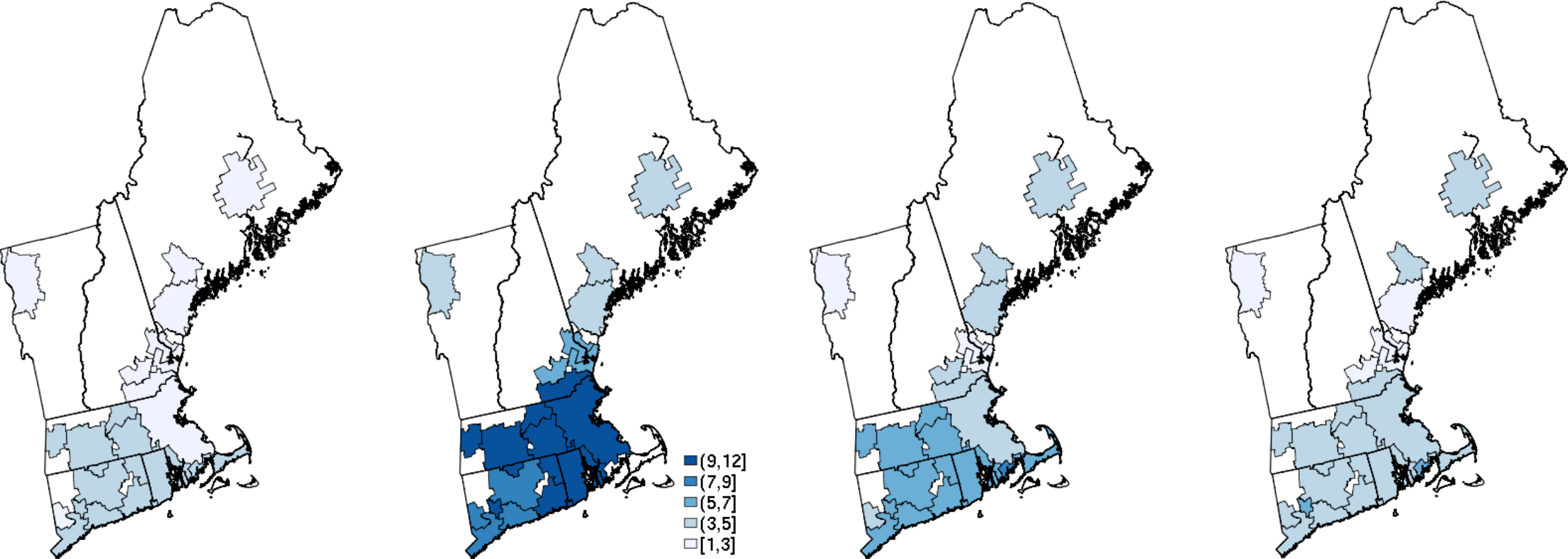
Unemployment Rates in New England by Metropolitan Areas

August 2019

August 2020

August 2021

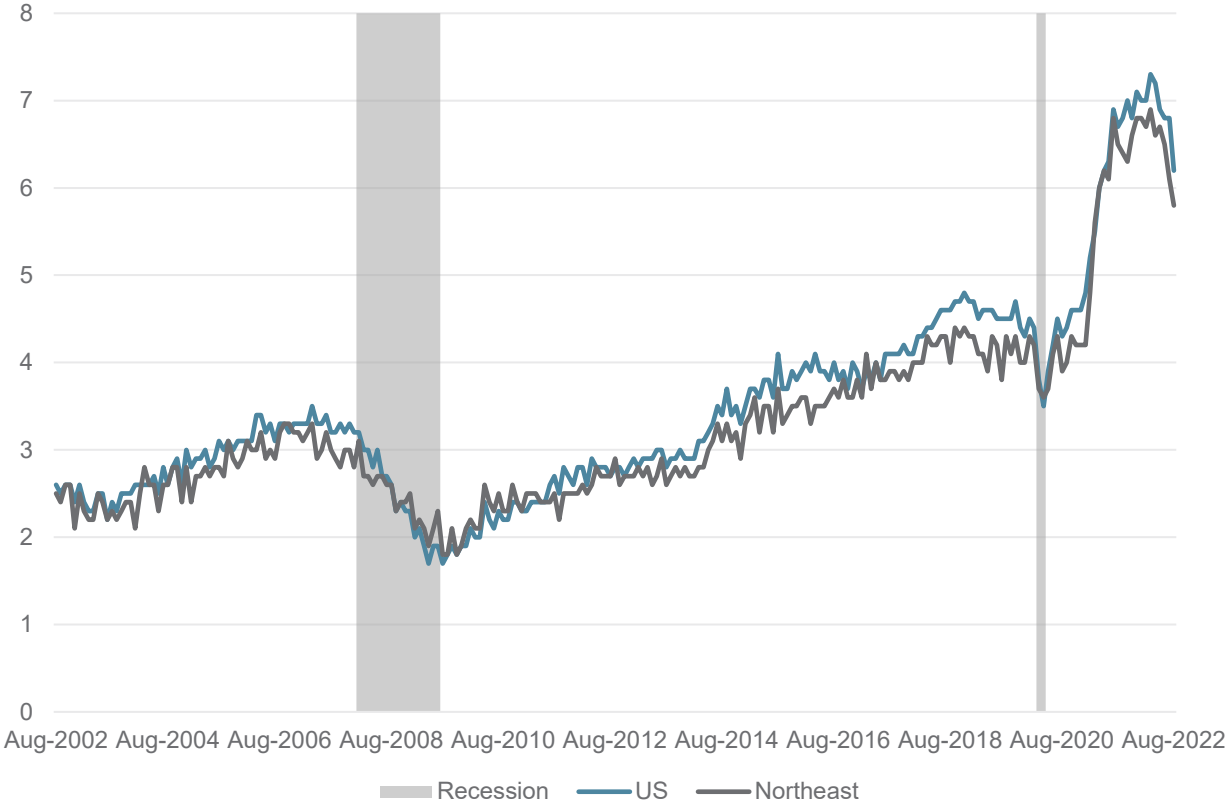
August 2022



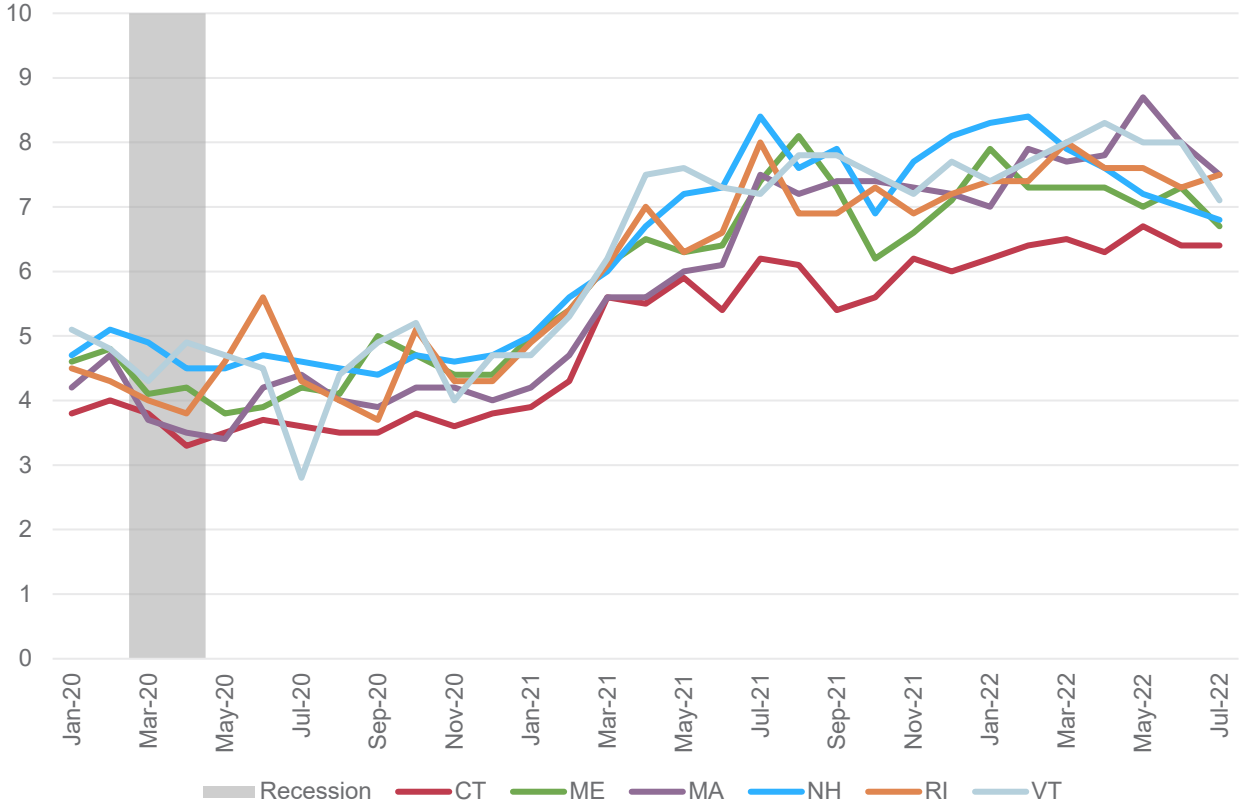
Source: Bureau of Labor Statistics, Haver Analytics, Federal Reserve Bank of Boston, IPUMS NHGIS

Openings Fell Off in Recent Months, but Remain at Historically High Levels

Job Openings Rate



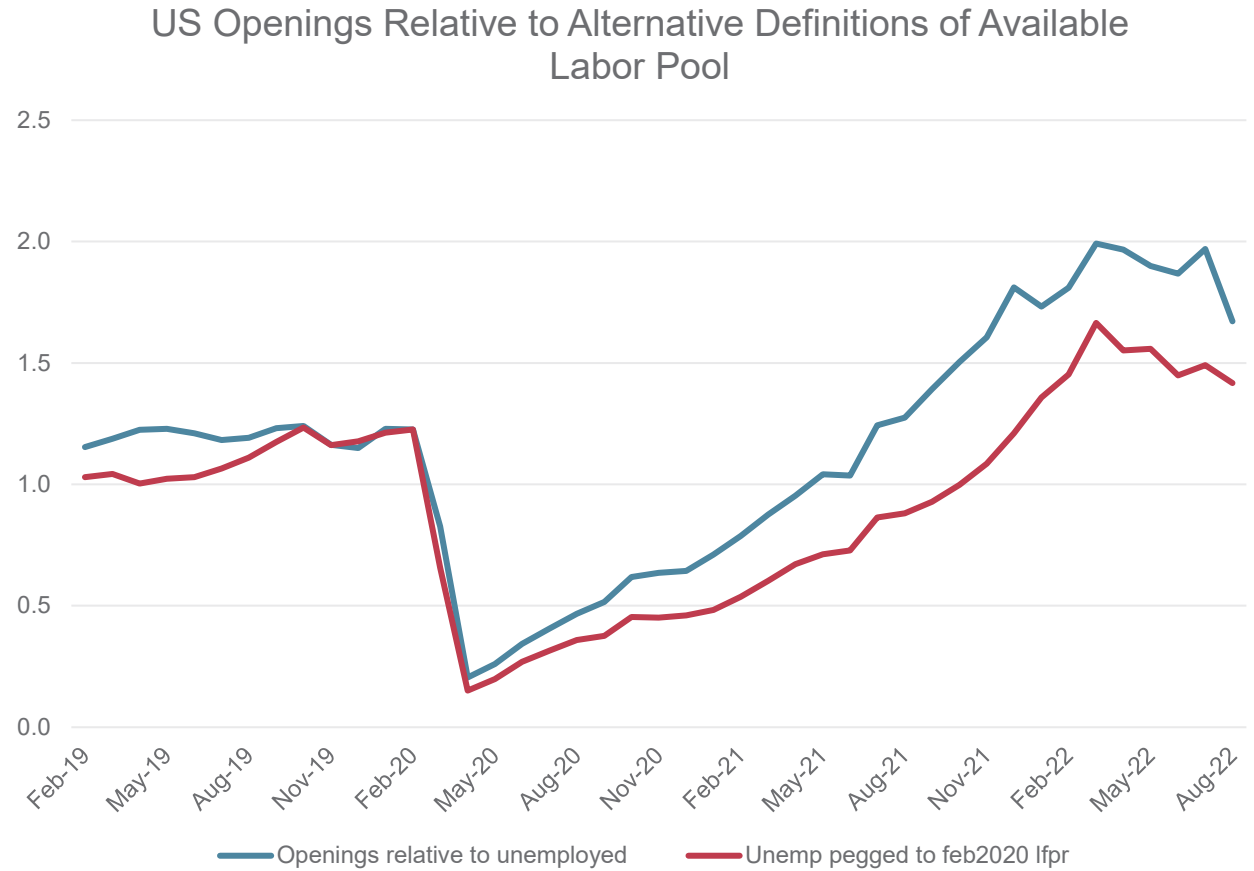
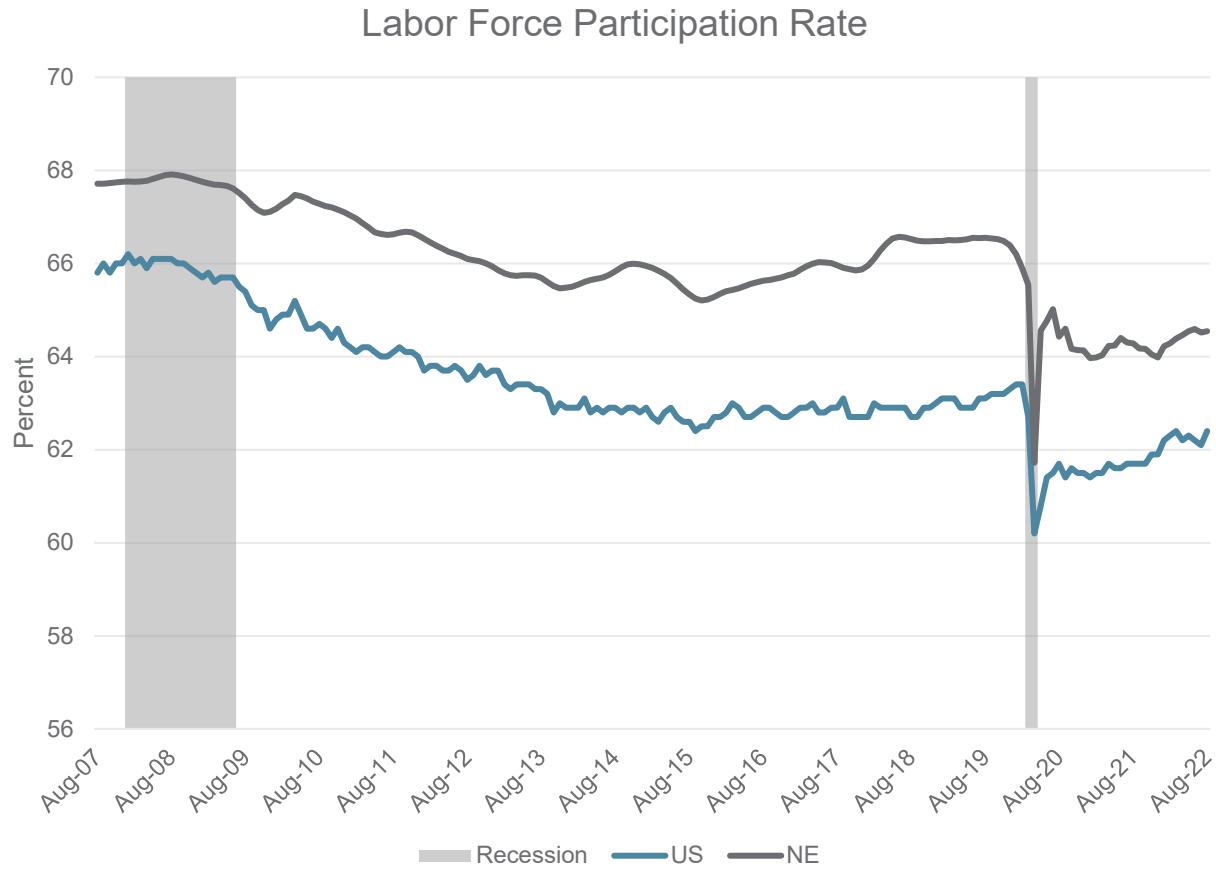
Job Openings Rate - New England States



Seasonally adjusted.

Source: JOLTS, Bureau of Labor Statistics, NBER, Haver Analytics

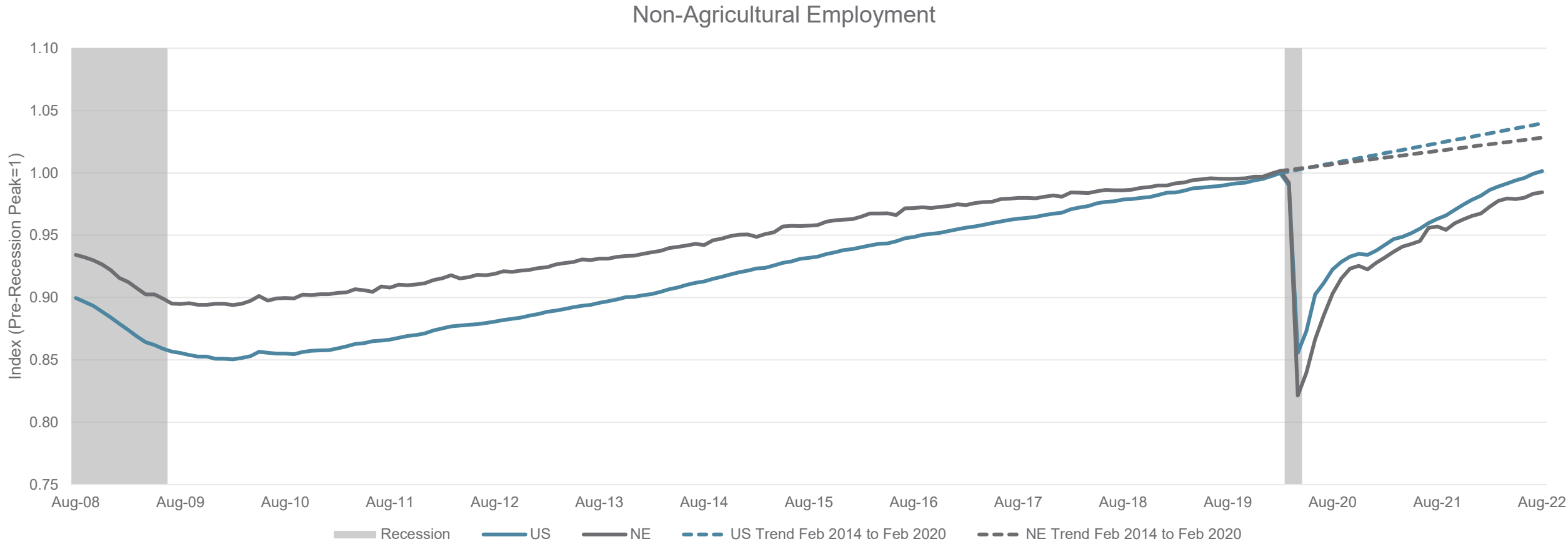
Labor Force Rebound Incomplete, but Labor Markets Tight Regardless of How Labor Pool is Defined



Source: JOLTS, Bureau of Labor Statistics, Census Bureau, NBER, Haver Analytics

Lefthand figure: Seasonally adjusted. Righthand figure: January 2022-August 2022 civilian population used in calculation of unemp pegged to feb2020 lfpr was forecast using average of month-to-month growth rate between previous six months.

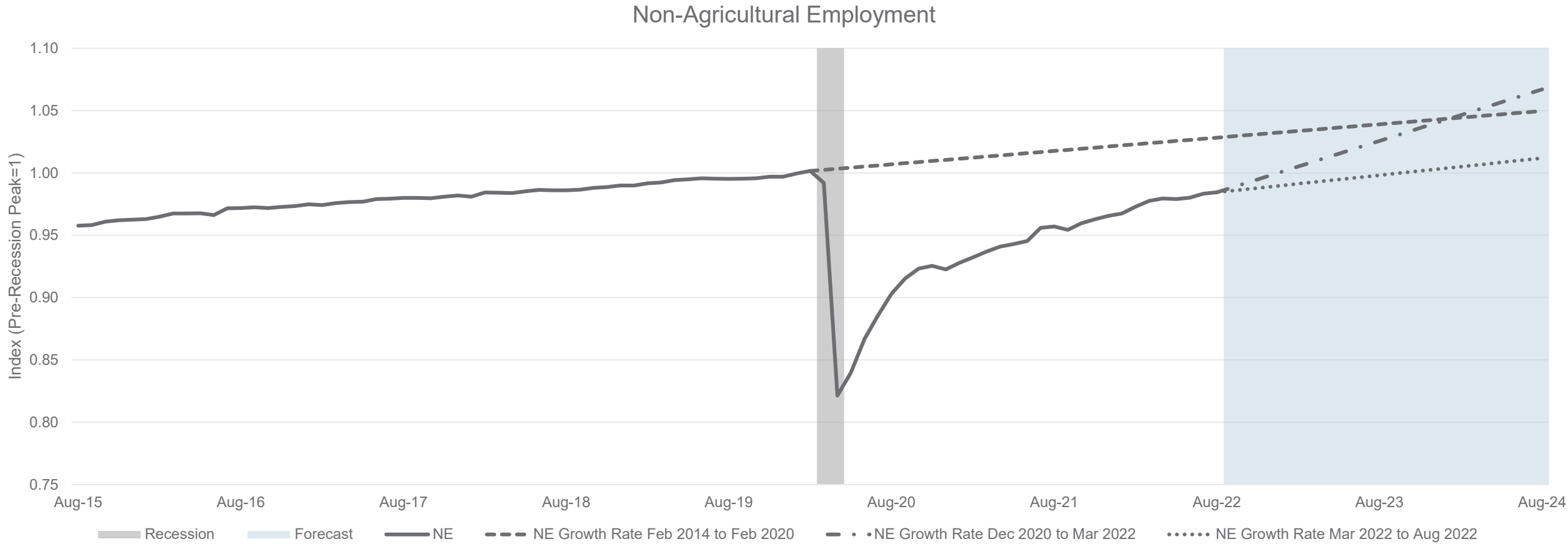
Pandemic-era Job Losses Nearly Restored, but Pace of Employment Recovery Slowed in Recent Months



Peak values are determined after the recession of 2008-2009; they may differ for each region. Values for New England 0.821 (Apr-20) and 0.984 (Aug-22) and the US 0.856 (Apr-20) and 1.001 (Aug-22). Seasonally adjusted.

Source: Bureau of Labor Statistics and authors' calculations, NBER, Haver Analytics

Implications of Slower Employment Growth for New England: Dec. 2020 – Mar. 2022 VS. Mar. 2022 – Aug. 2022

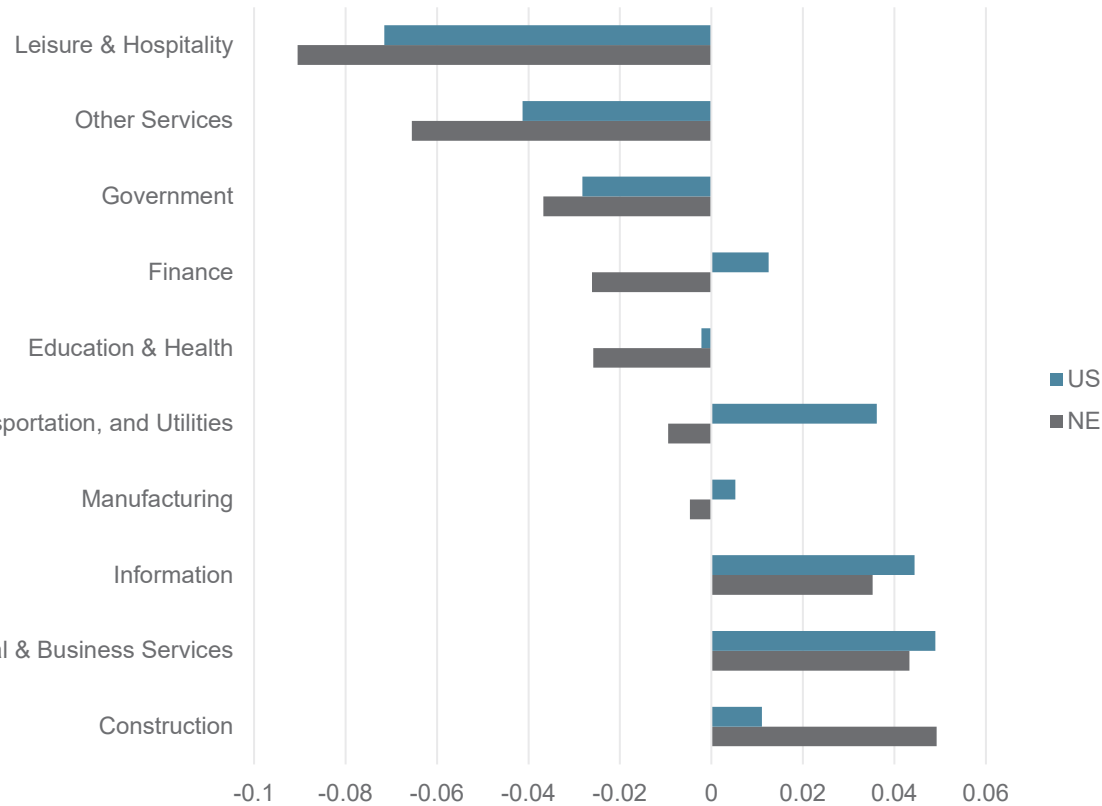


Note: Average monthly job growth: Dec. 2020 to Mar. 2022 – US 0.37%; NE 0.37%; Mar. 2022 to Aug. 2022 – US 0.21%; NE 0.12%.

Source: Bureau of Labor Statistics and authors' calculations, NBER, Haver Analytics

Sectoral Shifts Favor Higher-Wage Industries

Employment Changes February 2020 to August 2022

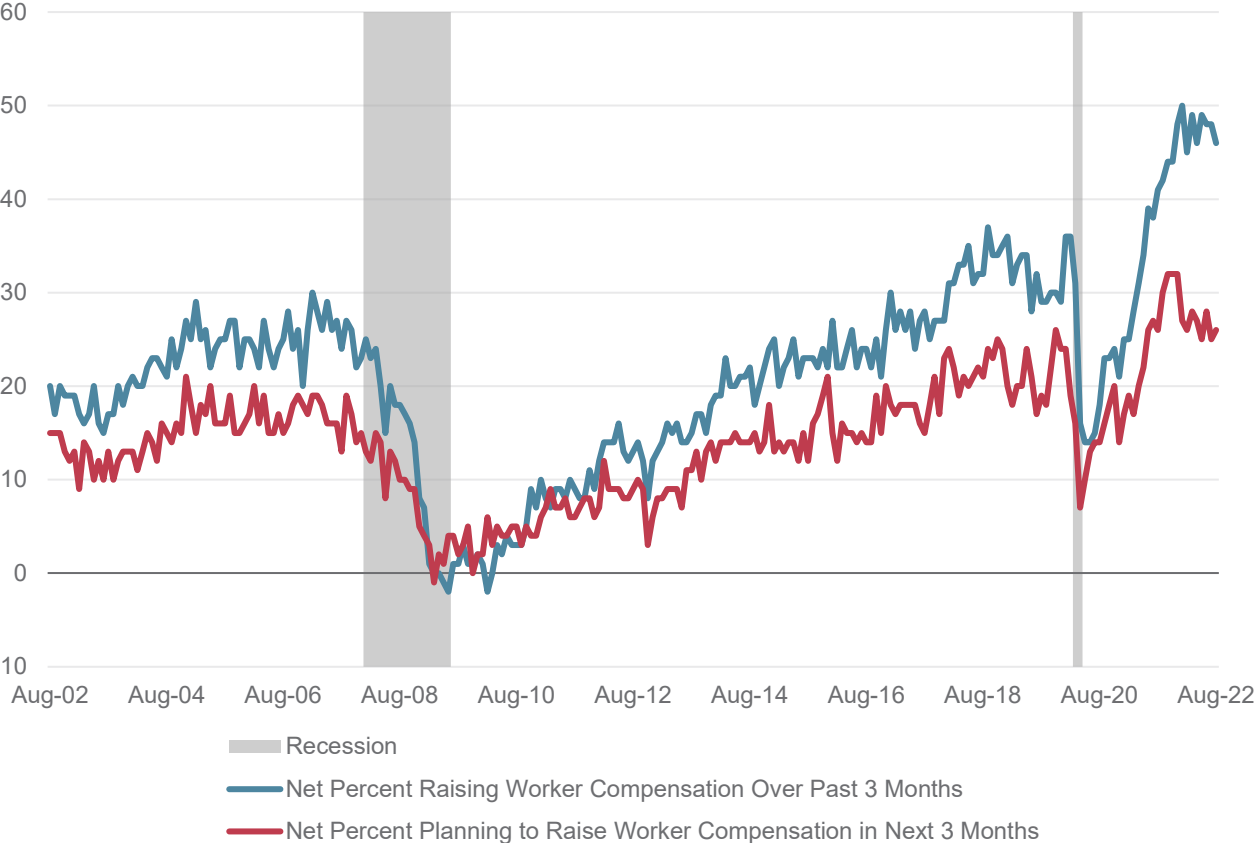


Average Weekly Wage Q1-2022	
US	
Leisure and Hospitality	\$ 540
Other Services	\$ 885
Government	\$ 1,233
Financial Services	\$ 2,953
Educational and Health Services	\$ 1,095
Transportation, Warehousing, and Utilities	\$ 1,115
Manufacturing	\$ 1,560
Information	\$ 3,083
Professional and Business Services	\$ 1,866
Construction	\$ 1,308

Note: All employment data seasonally adjusted except for New England information sector data.
 Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Haver Analytics

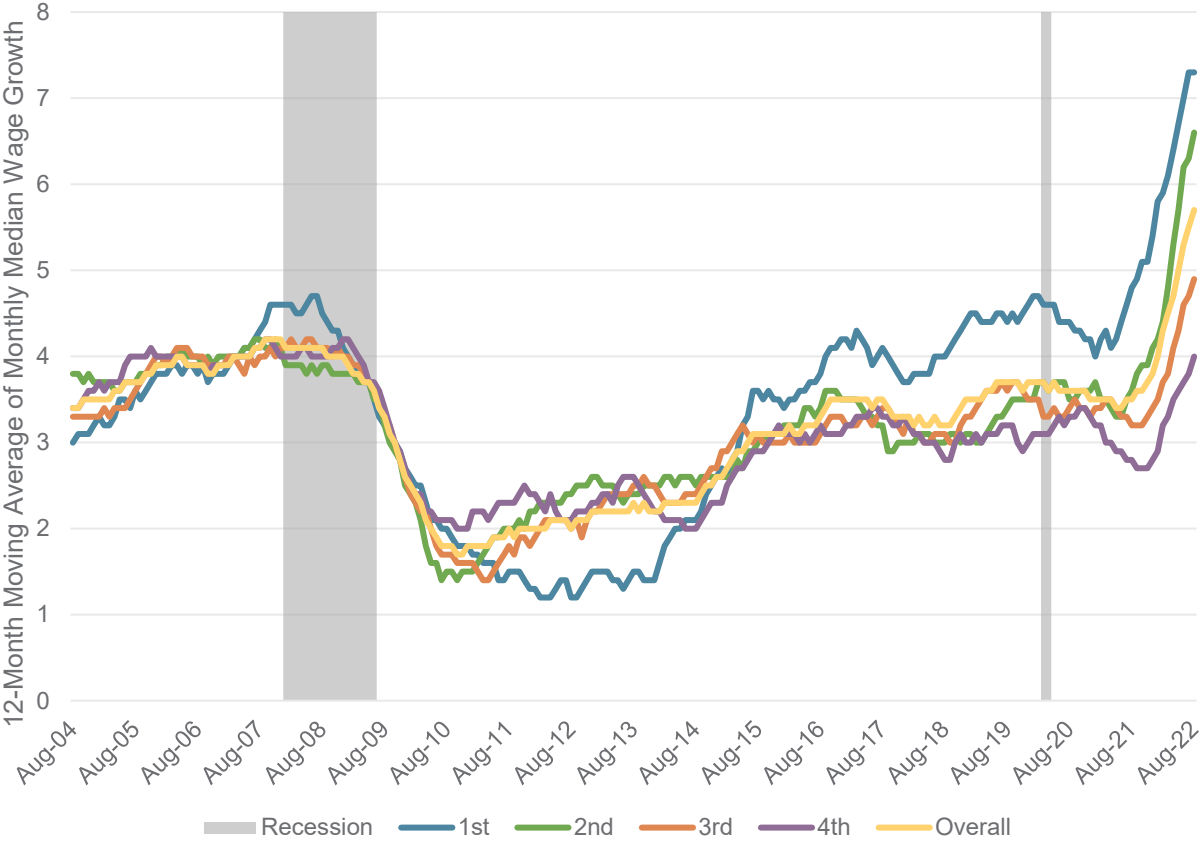
Employers Raising Wages, Nominal Wages Up Sharply

Small Business Economic Trends: Worker compensation



Lefthand figure notes: Seasonally adjusted.

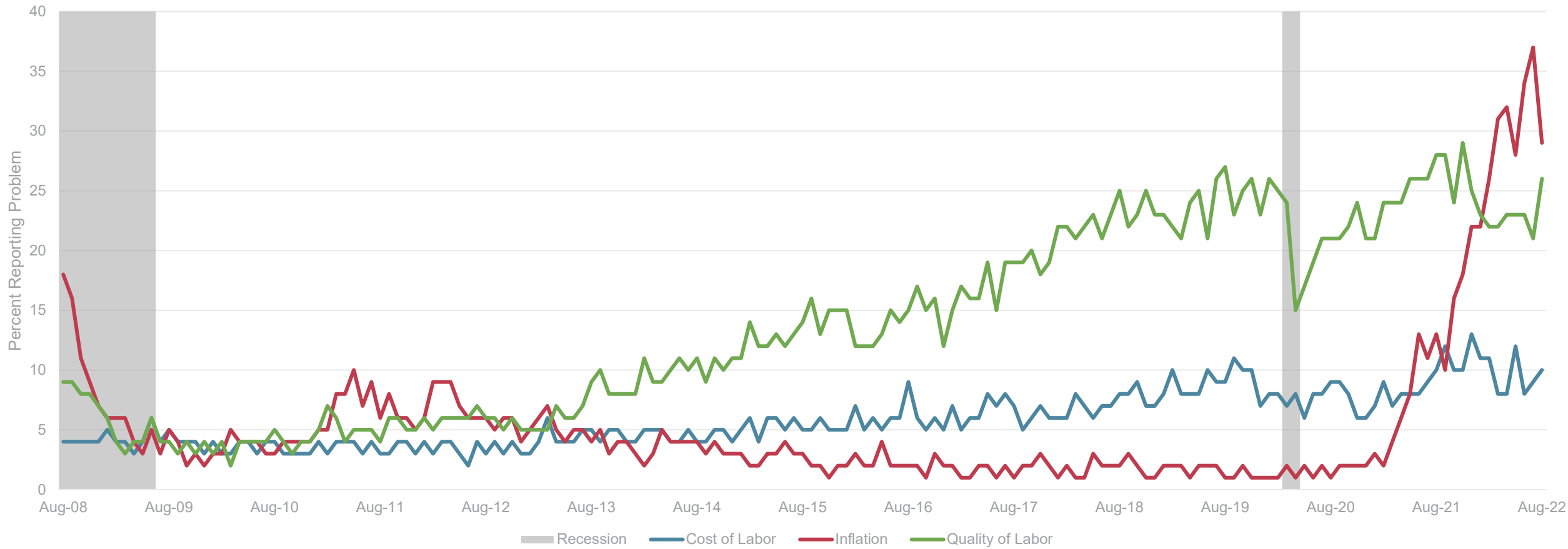
Wage Growth Tracker by Average Wage Quartile



Righthand figure notes: Wages computed on an hourly basis. Ranking based on the distribution of average hourly wages in month t and month t-12. Those in the lowest 25 percent of average wages are in the 1st quartile and those in the highest 25 percent of average wages are in the 4th quartile.

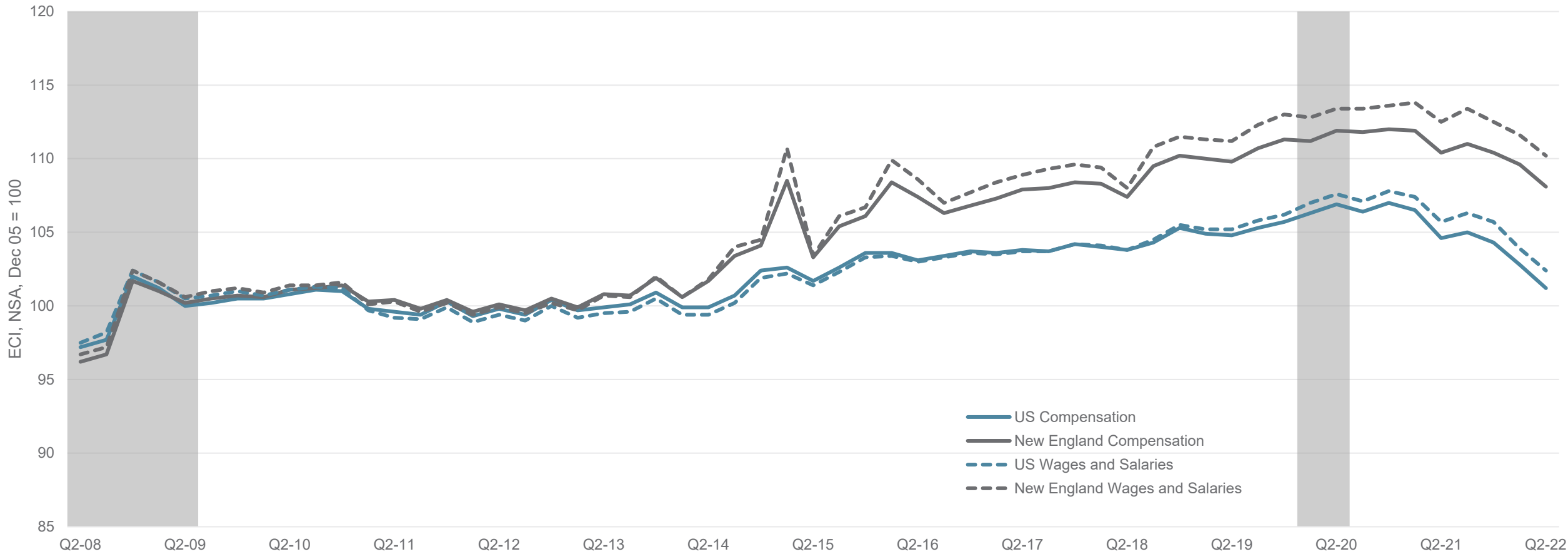
Source: Federal Reserve Bank of Atlanta, Current Population Survey, Bureau of Labor Statistics, National Federation of Independent Business (NFIB), NBER, Haver Analytics

Small Business Economic Trends: Single Most Important Problem



Source: National Federation of Independent Business (NFIB), NBER, Haver Analytics

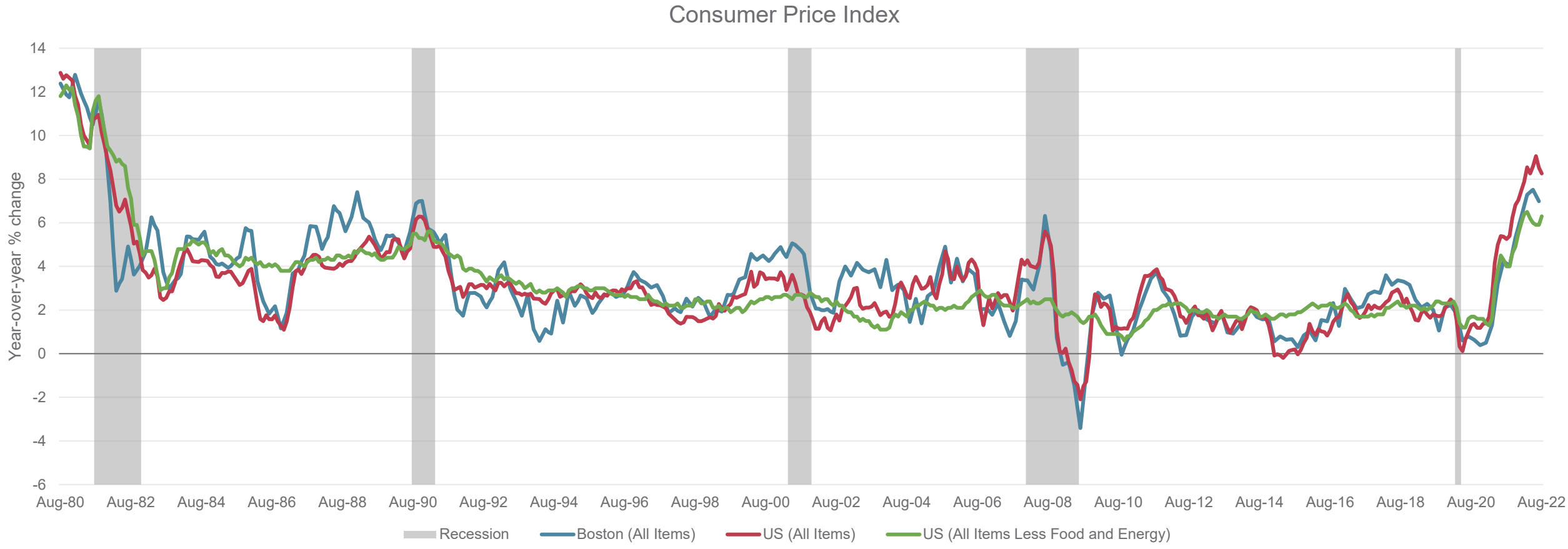
Real Compensation: Private Industry Workers



Not seasonally adjusted

Source: Bureau of Labor Statistics, NBER, Haver Analytics

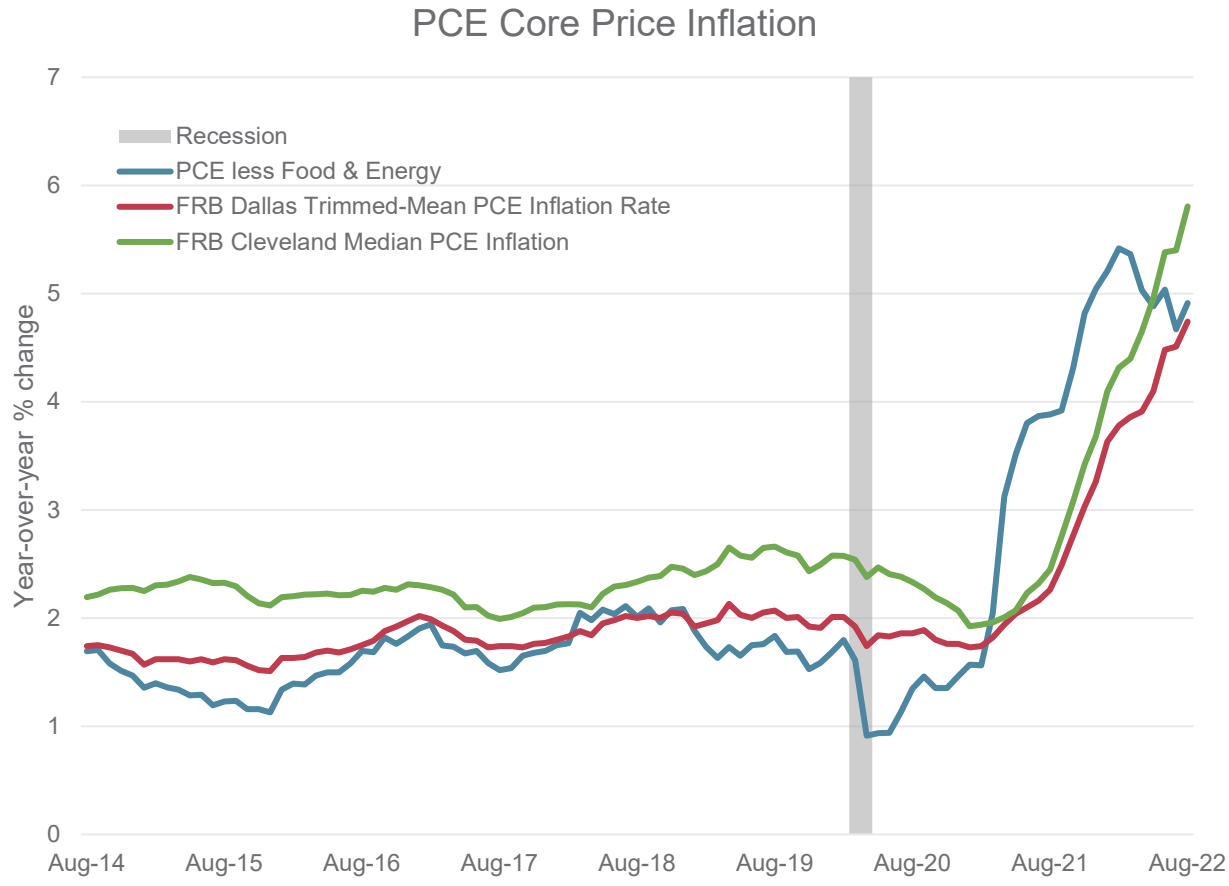
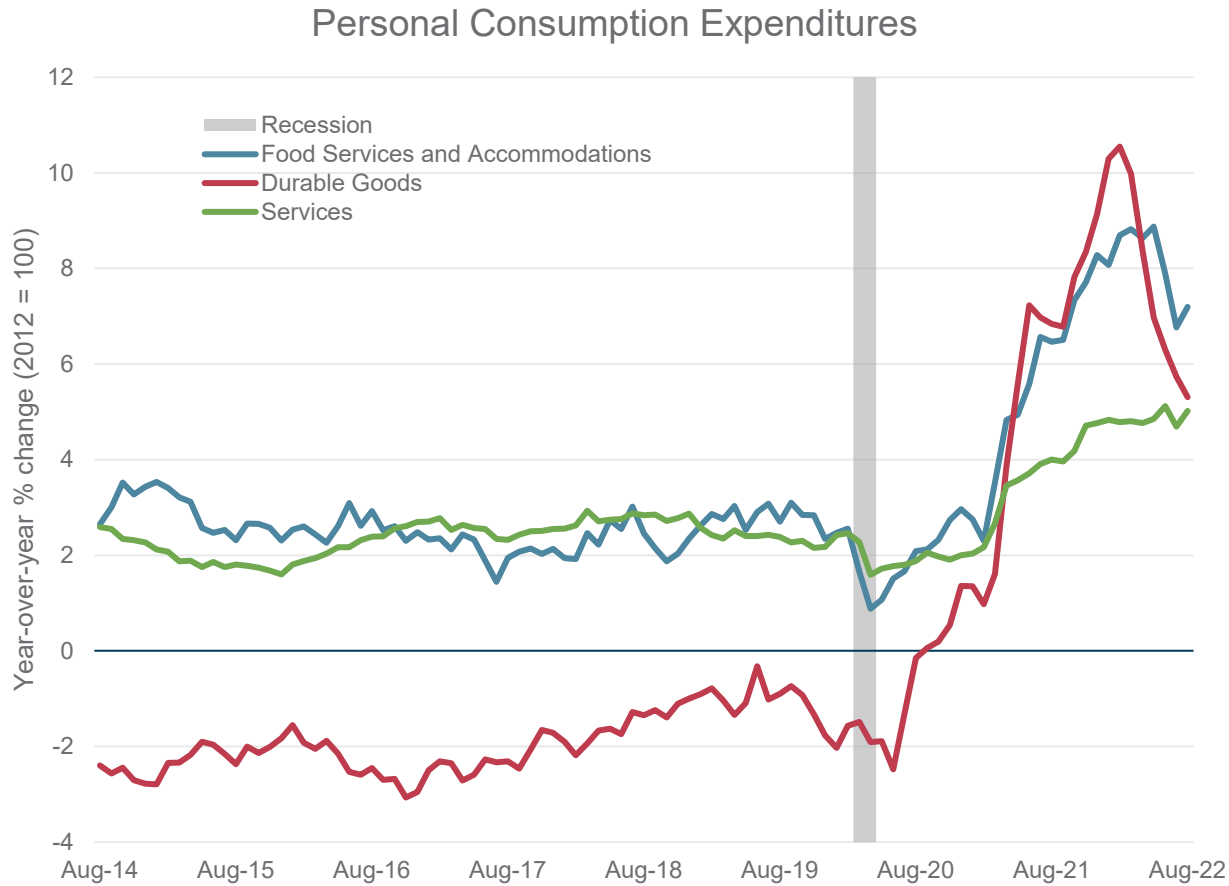
Price Increases Highest Since 1980s



Not seasonally adjusted

Source: Bureau of Labor Statistics, NBER, Haver Analytics

The Story of Price Increases is Complicated

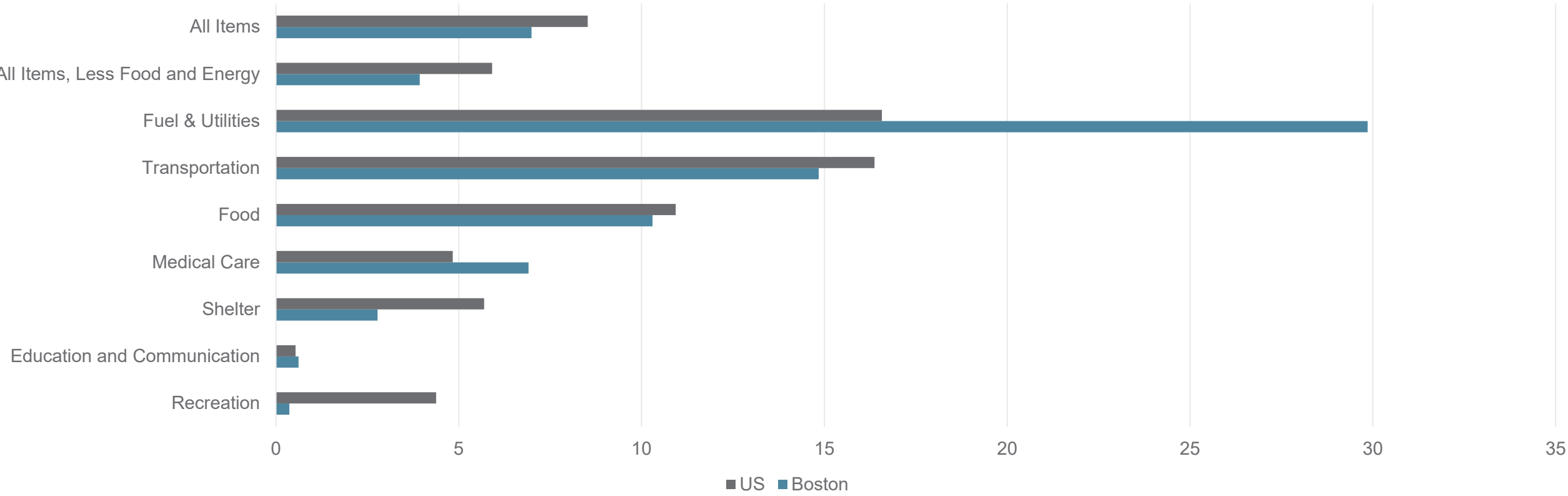


Lefthand figure: Seasonally adjusted.

Source: Bureau of Labor Statistics, Bureau of Economic Analysis, Federal Reserve Bank of Dallas, Federal Reserve Bank of Cleveland, NBER, Haver Analytics

Components of the Consumer Price Index

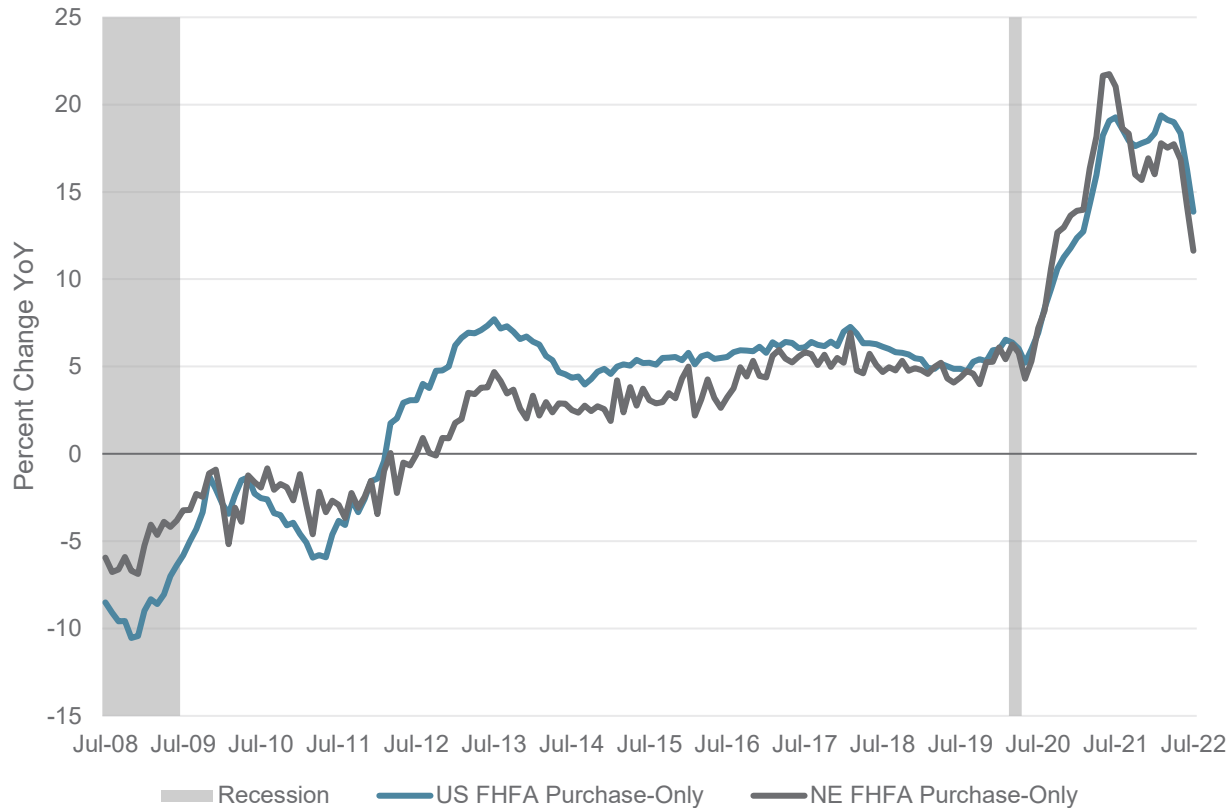
Percent Change, July 2021 - July 2022



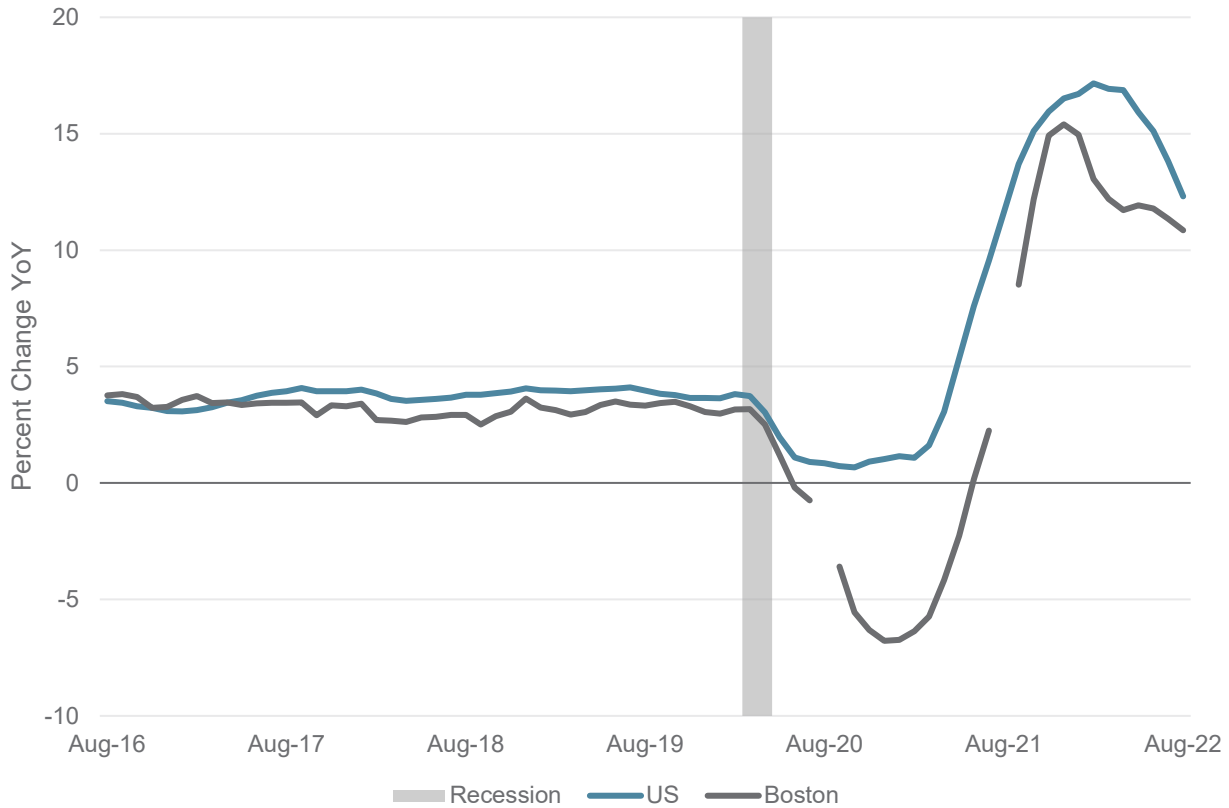
Not seasonally adjusted
Source: Bureau of Labor Statistics, Haver Analytics

Homes sales price & advertised rent inflation falling back sharply in recent months, but remain elevated year-over-year

Repeat-Sales Home Price Index



Zillow Observed Rent Index



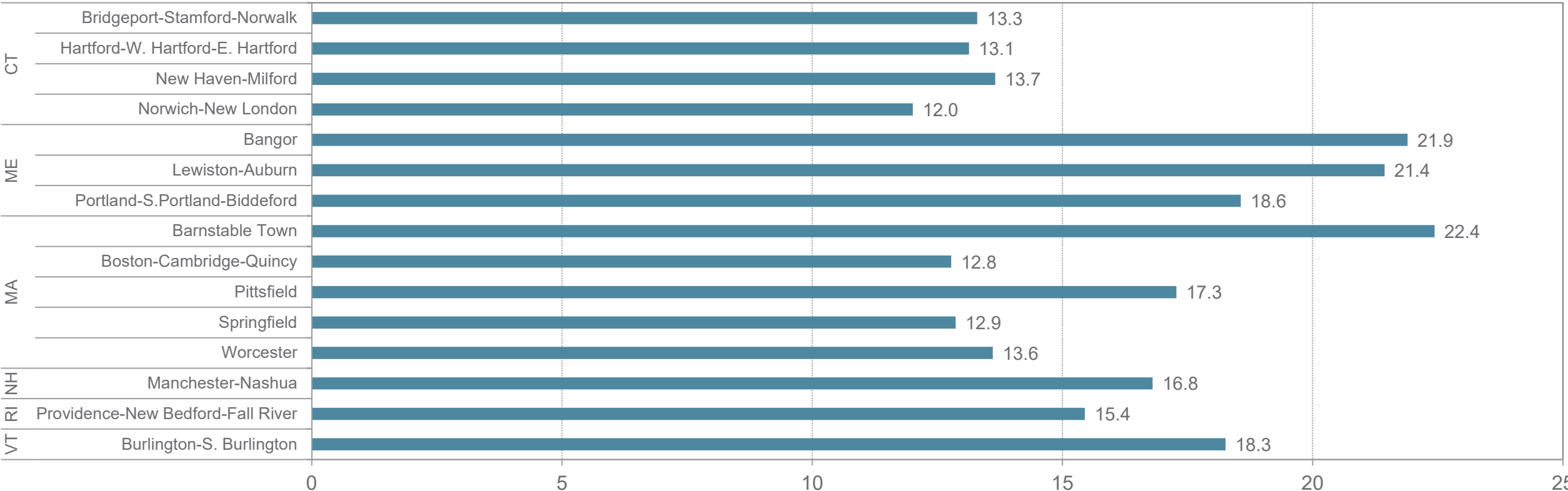
Not seasonally adjusted

Note: Zillow Observed Rent Index missing for August 2020, so August 2020 and August 2021 YoY % change missing.

Source: FHFA, Zillow, NBER, Haver Analytics

House Price Changes by MSA in New England

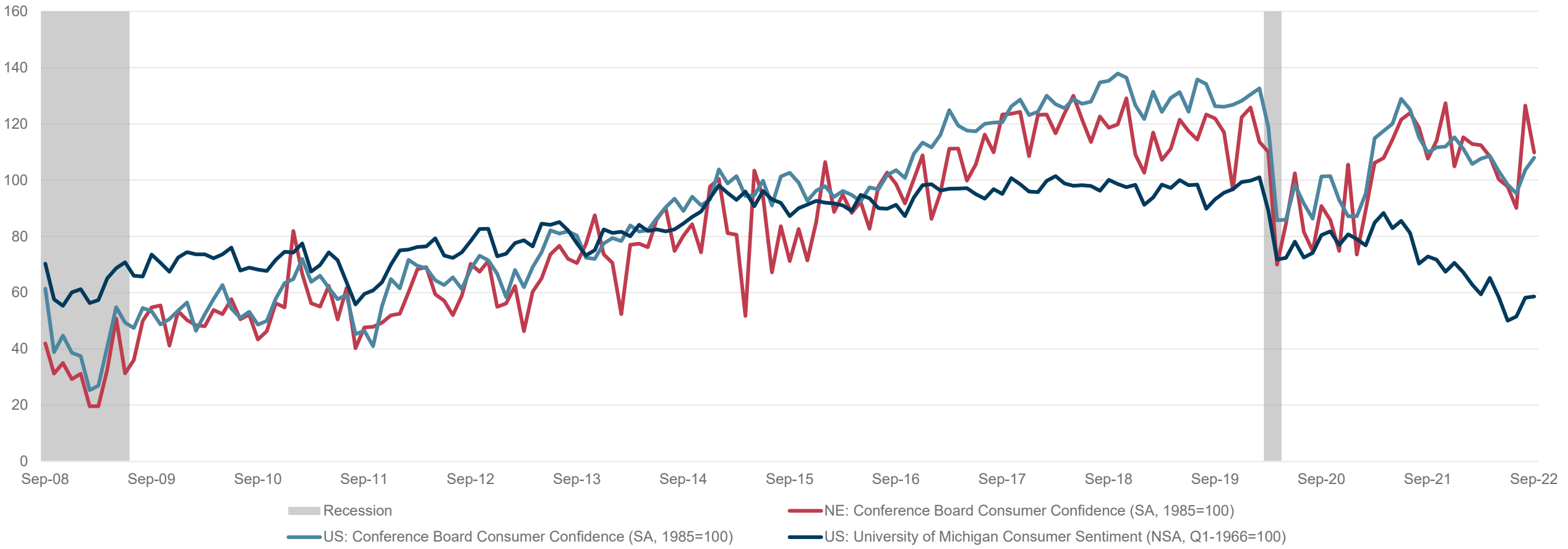
Percent Change, Q2 2021 - Q2 2022



Not seasonally adjusted

Source: Federal Home Loan Mortgage Corporation, Haver Analytics

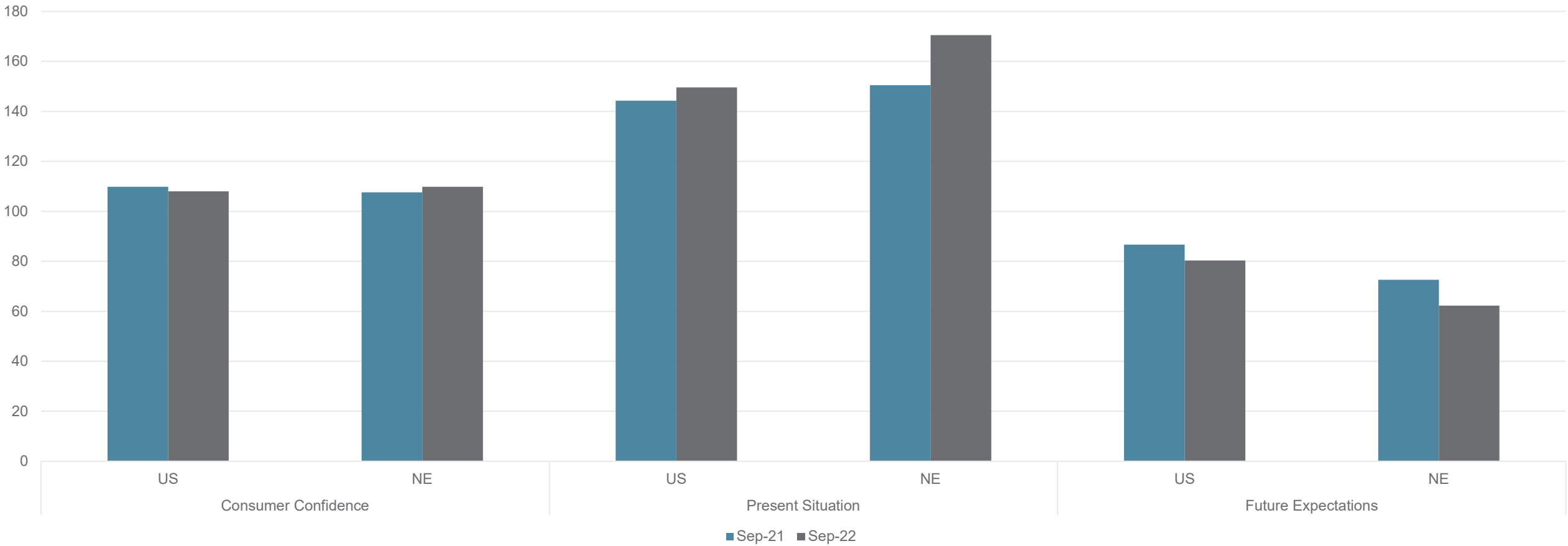
Consumer Confidence



Seasonally adjusted

Source: The Conference Board, University of Michigan, NBER, Haver Analytics

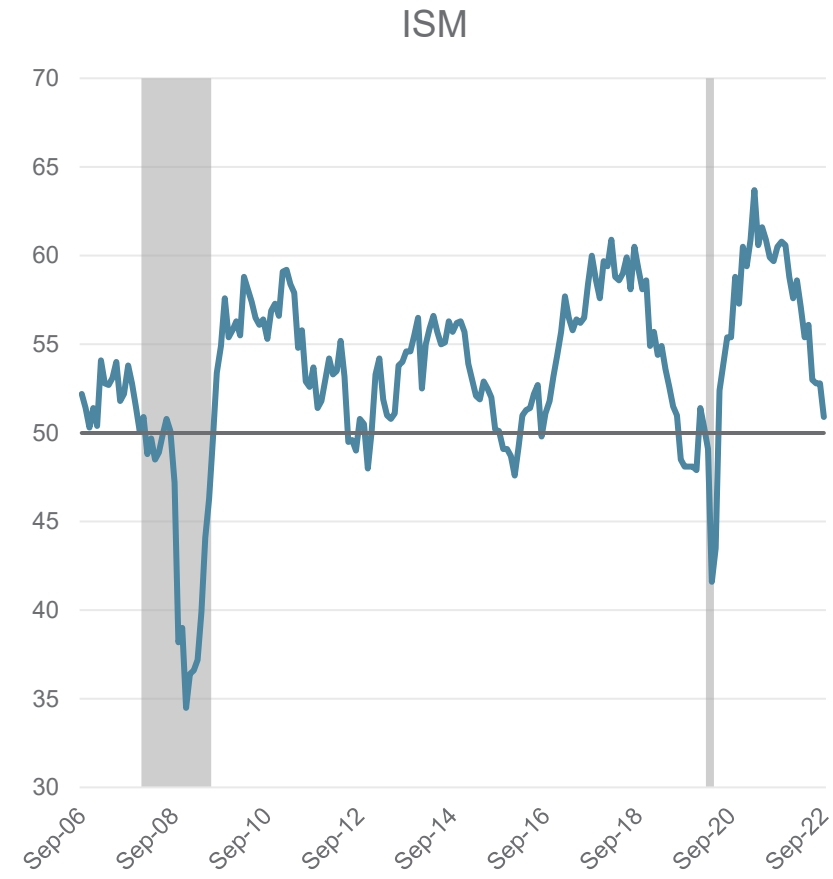
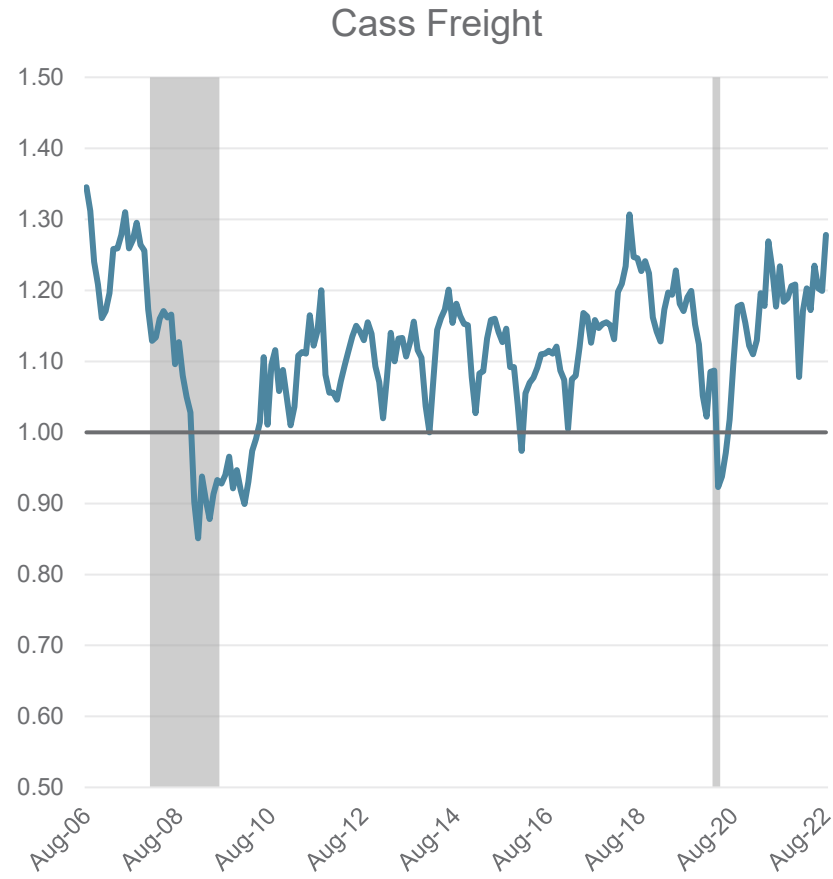
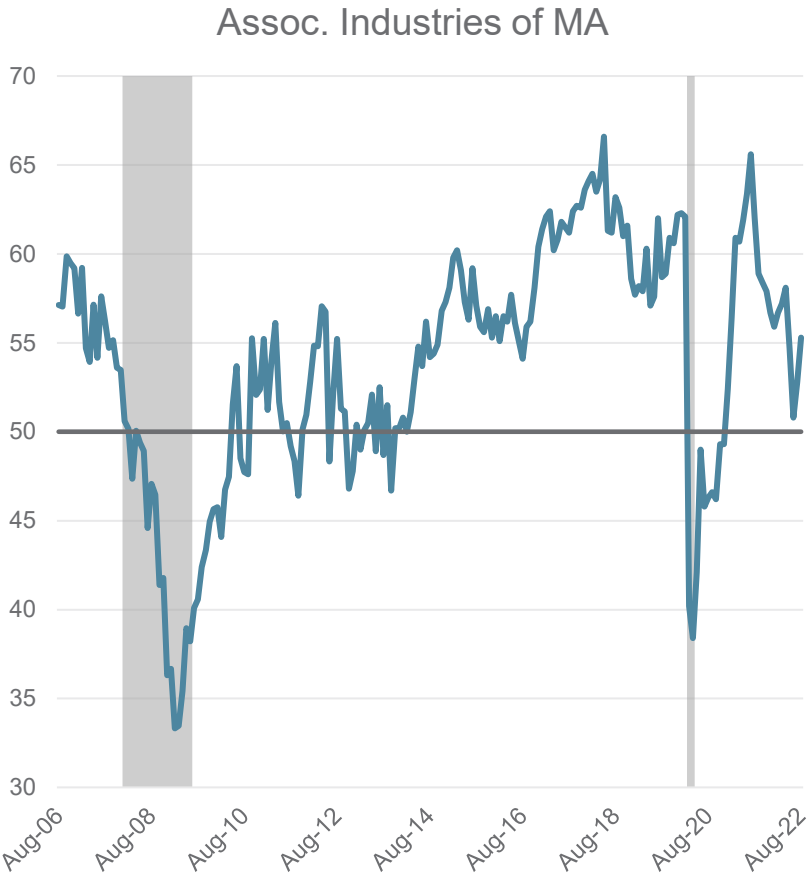
Consumers Positive About Current Conditions, Less Confident about Future



Seasonally adjusted

Source: The Conference Board, Haver Analytics

Business Confidence



Source: Associated Industries of Massachusetts, Cass Freight, Institute for Supply Management, NBER, Haver Analytics

Recap

- ▶ Currently labor markets are tight, making it easy to find work, but difficult to hire;
- ▶ Employment remains short of pre-pandemic levels, and pace of job growth has slowed;
- ▶ Price pressures dissipating in some sectors, but core inflation not yet tamed;
- ▶ Nominal wages up sharply, but real wages are falling;
- ▶ Consumer and firm confidence somewhat mixed

Thank you.