Regional Economic Update

Regional & Community Bankers’ Conference

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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

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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

Seasonally adjusted.
Source: JOLTS, Bureau of Labor Statistics, NBER, Haver Analytics

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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

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

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Sectoral Shifts Favor Higher-Wage Industries

Employment Changes February 2020 to August 2022

Average Weekly Wage Q1-2022

<table>
<thead>
<tr>
<th>Industry</th>
<th>US</th>
<th>NE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leisure and Hospitality</td>
<td>$540</td>
<td></td>
</tr>
<tr>
<td>Other Services</td>
<td>$885</td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td>$1,233</td>
<td></td>
</tr>
<tr>
<td>Financial Services</td>
<td>$2,953</td>
<td></td>
</tr>
<tr>
<td>Educational and Health Services</td>
<td>$1,095</td>
<td></td>
</tr>
<tr>
<td>Transportation, Warehousing, and Utilities</td>
<td>$1,115</td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>$1,560</td>
<td></td>
</tr>
<tr>
<td>Information</td>
<td>$3,083</td>
<td></td>
</tr>
<tr>
<td>Professional and Business Services</td>
<td>$1,866</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>$1,308</td>
<td></td>
</tr>
</tbody>
</table>

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

Wage Growth Tracker by Average Wage Quartile

Lefthand figure notes: Seasonally adjusted.

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.


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Small Business Economic Trends: Single Most Important Problem

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

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Real Compensation: Private Industry Workers

Not seasonally adjusted

Source: Bureau of Labor Statistics, NBER, Haver Analytics
Price Increases Highest Since 1980s

Source: Bureau of Labor Statistics, NBER, Haver Analytics
The Story of Price Increases is Complicated

Lefthand figure: Seasonally adjusted.

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Components of the Consumer Price Index

Percent Change, July 2021 - July 2022

- All Items
- All Items, Less Food and Energy
- Fuel & Utilities
- Transportation
- Food
- Medical Care
- Shelter
- Education and Communication
- Recreation

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

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

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### House Price Changes by MSA in New England

**Percent Change, Q2 2021 - Q2 2022**

<table>
<thead>
<tr>
<th>MSA</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bridgeport-Stamford-Norwalk</td>
<td>13.3</td>
</tr>
<tr>
<td>Hartford-W. Hartford-E. Hartford</td>
<td>13.1</td>
</tr>
<tr>
<td>New Haven-Milford</td>
<td>13.7</td>
</tr>
<tr>
<td>Norwich-New London</td>
<td>12.0</td>
</tr>
<tr>
<td>Bangor</td>
<td>12.0</td>
</tr>
<tr>
<td>Lewiston-Auburn</td>
<td>12.8</td>
</tr>
<tr>
<td>Portland-S. Portland-Biddeford</td>
<td>12.8</td>
</tr>
<tr>
<td>Barnstable Town</td>
<td>12.9</td>
</tr>
<tr>
<td>Boston-Cambridge-Quincy</td>
<td>12.9</td>
</tr>
<tr>
<td>Pittsfield</td>
<td>12.9</td>
</tr>
<tr>
<td>Springfield</td>
<td>12.9</td>
</tr>
<tr>
<td>Worcester</td>
<td>13.6</td>
</tr>
<tr>
<td>Manchester-Nashua</td>
<td>13.6</td>
</tr>
<tr>
<td>Providence-New Bedford-Fall River</td>
<td>13.6</td>
</tr>
<tr>
<td>Burlington-S. Burlington</td>
<td>13.3</td>
</tr>
</tbody>
</table>

Not seasonally adjusted

Source: Federal Home Loan Mortgage Corporation, Haver Analytics

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Consumer Confidence

Seasonally adjusted

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

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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.