

New England Economic Conditions

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Federal Reserve Bank of Boston

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1. Payroll Employment

- Employment recovery in the region remained strong from December 2022 through February 2023, fully closing the post-pandemic employment gap in the private sector.
- The professional and business services sector led the employment recovery, which was more rapid in Maine, Massachusetts, and New Hampshire relative to the rest of New England.

New England's labor market continued to demonstrate resilience from December 2022 through February 2023, with employment-growth rates and job-opening rates both rising higher than their long-term averages (Exhibit 1). As of February, the region's total private payroll employment had returned to its pre-pandemic level, concluding a 36-month recovery; a modest employment gap from the pre-pandemic peak remained due to public sector job losses. However, the recovery was not symmetric across sectors. The professional and business services sector and, to a lesser degree, the construction sector led the employment growth across New England, while the educational and health services, government sector, and leisure and hospitality sectors had not yet returned to their pre-pandemic employment levels (Exhibit 2). The recovery was more modest in Connecticut, Rhode Island, and Vermont (Exhibit 3). A closer look at the data suggests that the lag resulted from weaker growth in the professional and business services sector (Connecticut, Rhode Island) and larger unrecouped losses in the declining sectors (Vermont).

2. Unemployment and Labor Force Participation

- The unemployment rate remained low, tracking closely with the national trend.
- Labor force participation in the region continued to fall short of its 2019 level. An aging population, retirements, and the departure of prime-age men from the labor force suppressed the participation rate.

The unemployment rate in New England remained stably low from March 2022 through February 2023. As of February, the rate was 3.5 percent and tracking closely with the national trend (Exhibit 4). In contrast, labor force participation in the region remained 2 percentage points below its 2019 level due in part to a second wave of decline in 2022 (Exhibit 5). Recent Current Population Survey

data suggest that an increase in the number of prime-age men leaving the labor force, as well as an aging population and retirements, drove the decline. As of January 2023, the labor force participation rate of prime-age men in New England was 1.5 percentage points below its 2019 level. Labor force participation of prime-age women had fully recovered and modestly surpassed its pre-pandemic rate.

3. Inflation

- New England continued to experience more modest inflation compared with the rest of the country.
- While food and fuel price hikes halted in February, shelter price inflation worsened from February 2022 to February 2023.

As of February 2023, the inflation rate, defined as the year-over-year change in the Consumer Price Index for All Urban Consumers (CPI-U), was 5.1 percent in New England, moderately lower than the national rate of 6.0 percent (Exhibit 6). Increases in the prices of food, shelter, and fuel/utilities drove the recent high rates (Exhibit 7). The price hikes in food and fuel/utilities halted – temporarily at least – in February 2023. Specifically, there was a drop in fuel/utilities prices that was the largest single-month decline in the last five years. The price cuts brought some relief to New England consumers, who had endured a 28 percent increase in fuel/utilities prices from January 2022 to January 2023. In contrast, shelter price inflation worsened from February 2022 to February 2023. The year-over-year inflation rate for shelter prices was 6.4 percent in February 2023 compared with 3.2 percent in February 2022 (Exhibit 7).

4. Wages and Salaries

- Wage growth in New England persisted in the fourth quarter of 2022, leading to the highest year-over-year growth rate in the last five years.
- While wage growth still lagged inflation, the gap narrowed, easing the decline in inflation-adjusted real wages.

While wage growth decelerated in other regions of the country, New England reported a 5.9 percent year-over-year growth rate in nominal wages and salaries in 2022:Q4; it was the largest increase in the last five years (Exhibit 8). The strong growth indicates that the region's labor market remains tight, with excess labor demand over supply. The faster growth may also partially reflect the region's heavier concentration in the education and health services sector, which continued to face worker shortage and had stronger wage growth compared

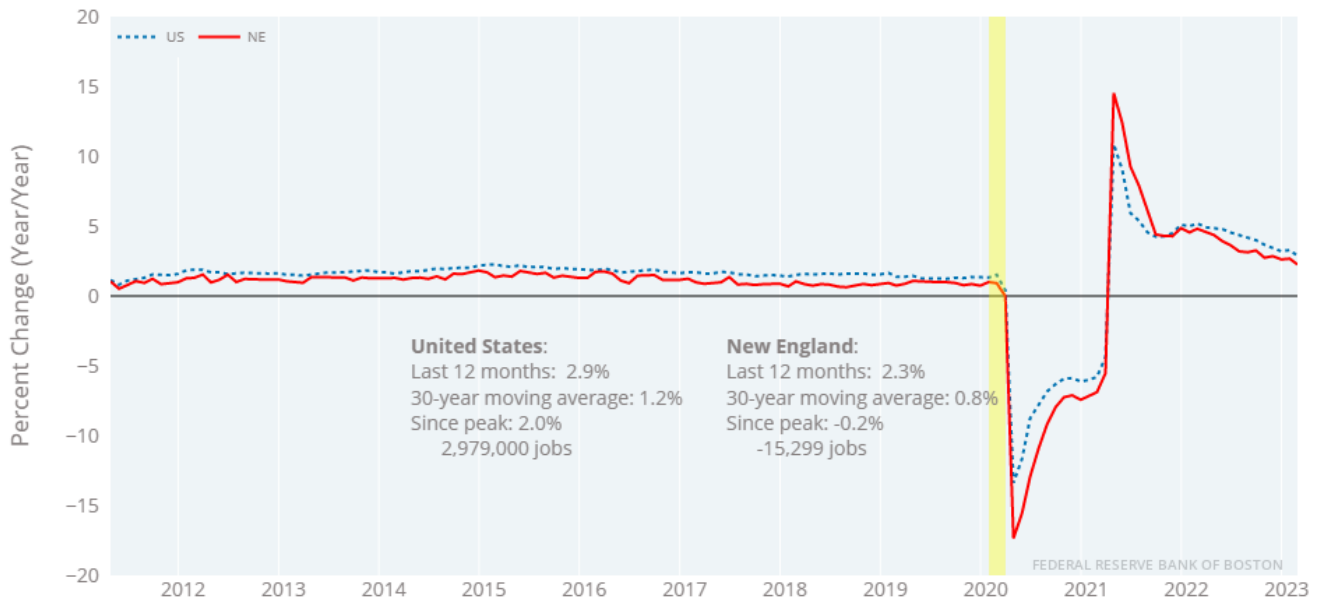
with other sectors (Exhibit 9). While wage growth still lagged inflation, it was more in line with inflation, thus reducing the loss in real wages in the region to 0.3 percent, a significant improvement over the 2 percent loss reported in the first three quarters of 2022 (Exhibit 8).

5. Consumer Finance

- After a two-year decline, the credit card loan new delinquency rate and the new foreclosures rate rose in 2022, reaching their 2019 levels.
- The personal savings rate dropped to its lowest level in the last 15 years, indicating that household income fell relative to spending.

From December 2021 to December 2022, the share of newly delinquent credit card loans grew from 0.60 to 0.85 percent in the United States and from 0.50 to 0.74 percent in New England; the delinquency rates had returned to their pre-pandemic, 2019 levels (Exhibit 10). Similarly, new foreclosures, measured as a percentage of all loans, increased to 0.1 percent in 2022 for both the United States and New England. The rates in the New England states ranged from 0.1 to 0.2 percent as of 2022:Q4 (Exhibits 11 and 12). Nationally, the personal savings rate dropped to 4 percent in 2022:Q4, one of the lowest levels since 2008, suggesting that spending grew faster than household income (Exhibit 13). These numbers signal that household finances deteriorated over the course of 2022 but gains in personal income in 2020 and 2021 helped to offset the decline (Exhibit 14).

Exhibit 1: Employment Growth - to Feb 2023



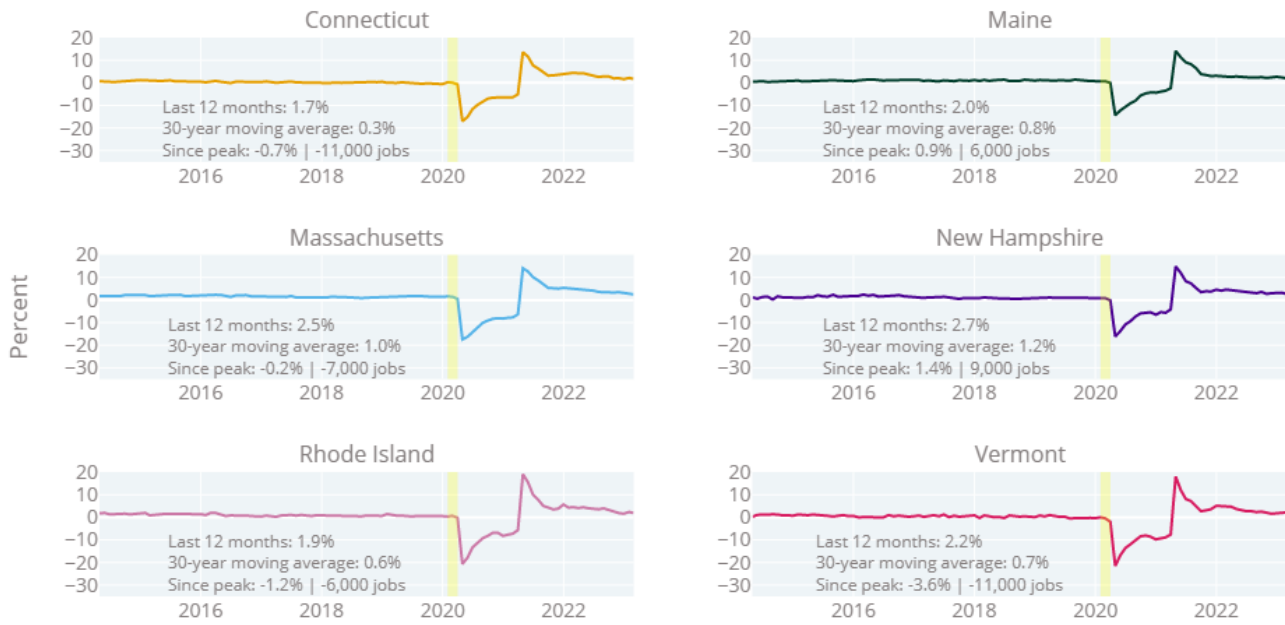
Source: U.S. Bureau of Labor Statistics/Haver Analytics.
 Note: Data are seasonally adjusted. Peak values are determined from the years 2019-2020; they may differ for each region. Tick marks correspond to January of the given year. Yellow bars indicate recessions.'

Exhibit 2: Percent Change in Payroll Employment by Supersector - to Feb 2023

	United States		New England	
	Net Change	% Change	Net Change	% Change
Educational & Health Services	432,000	1.8%	-18,500	-1.1%
Professional & Business Services	1,475,000	6.9%	78,300	7.3%
Trade/Transport/Utilities	1,116,000	4.0%	1,500	0.1%
Government	-376,000	-1.6%	-24,600	-2.4%
Leisure & Hospitality	-410,000	-2.4%	-51,100	-6.5%
Manufacturing	198,000	1.5%	-5,000	-0.8%
Finance, Insurance & Real Estate	236,000	2.7%	-1,000	-0.2%
Construction	310,000	4.1%	16,100	5.0%
Other Services	-114,000	-1.9%	-11,000	-3.8%
Information	167,000	5.7%	0	0.0%

Source: U.S. Bureau of Labor Statistics/Haver Analytics.
 Note: Base period is February 2020. New England figure for "Information" excludes RI, for which data are unavailable.

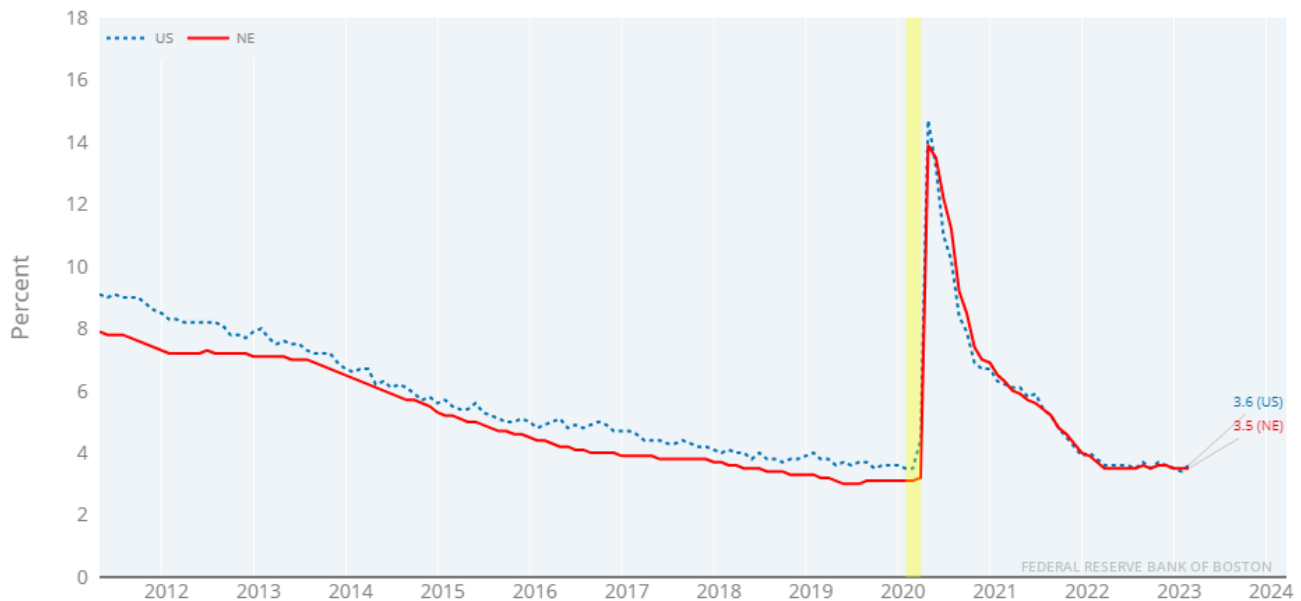
Exhibit 3: Employment Growth in New England States - to Feb 2023



Source: U.S. Bureau of Labor Statistics/Haver Analytics.
 Note: Data are seasonally adjusted. Peak values are determined from the years 2019-2020; they may differ for each region. Tick marks correspond to January of the given year. Yellow bars indicate recessions.

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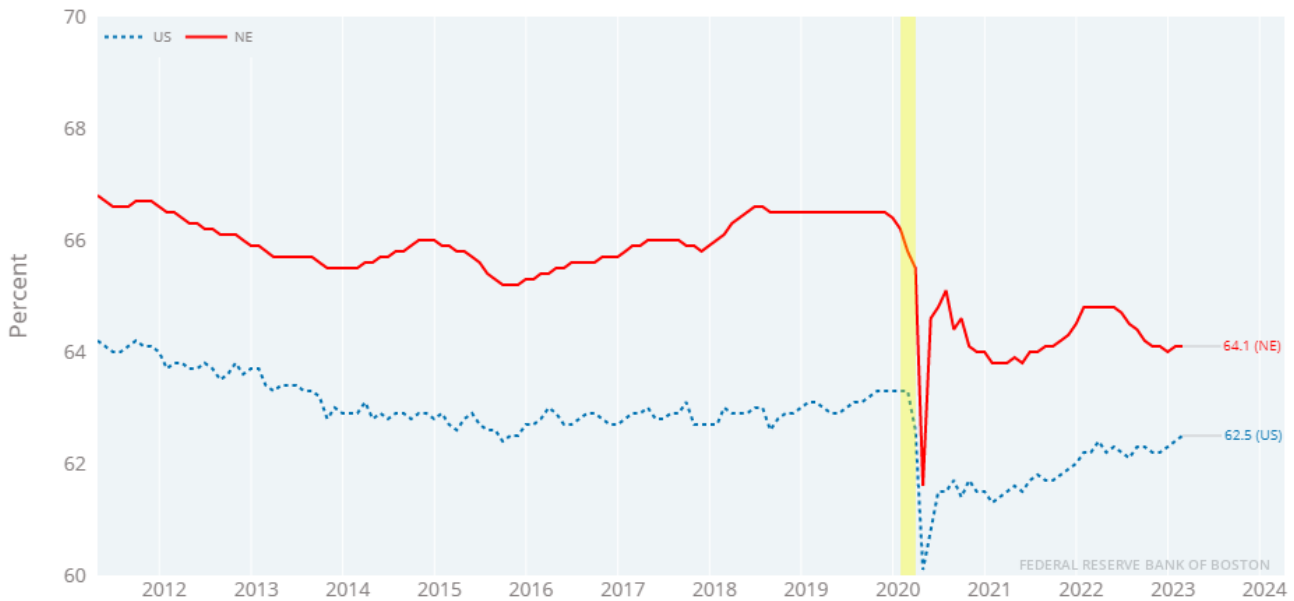
Exhibit 4: Unemployment Rates - to Feb 2023



Source: U.S. Bureau of Labor Statistics/Haver Analytics.
 Note: Data are seasonally adjusted. Tick marks correspond to January of the given year. Yellow bars indicate recessions.

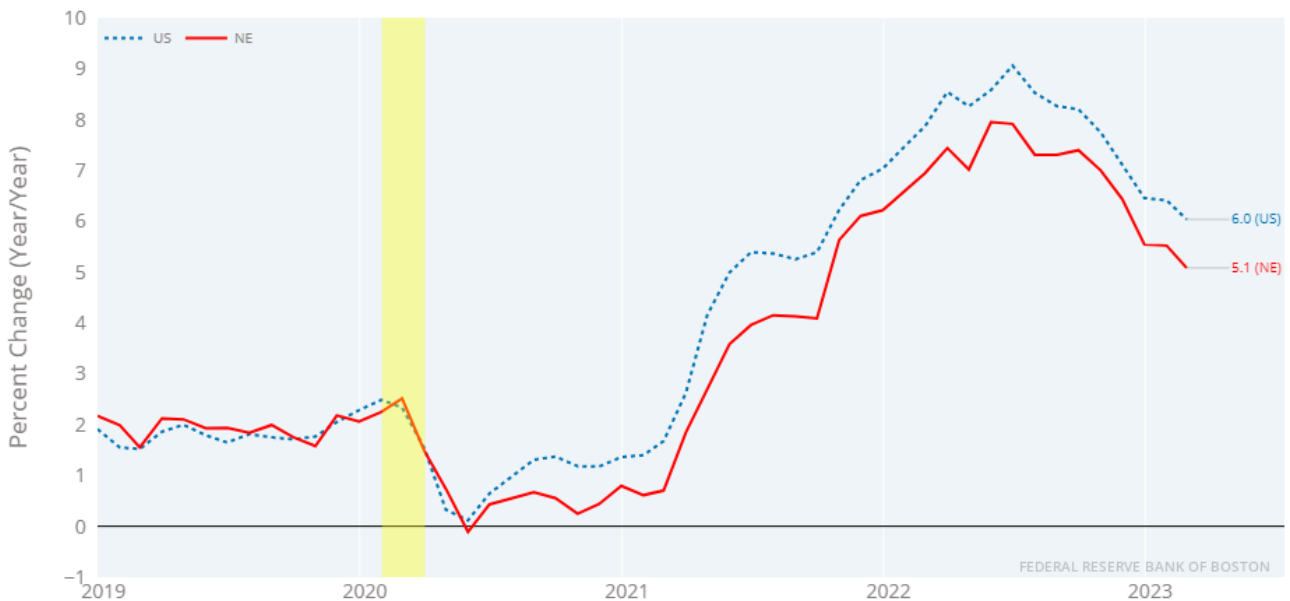
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Exhibit 5: Labor Force Participation - to Feb 2023



Source: U.S. Bureau of Labor Statistics/Haver Analytics.
 Note: Data are seasonally adjusted. Tick marks correspond to January of the given year. Yellow bars indicate recessions.

Exhibit 6: Consumer Price Index - to Feb 2023



Source: U.S. Bureau of Labor Statistics/Haver Analytics.
 Note: Tick marks correspond to January of the given year. Yellow bars indicate recessions.

Exhibit 7: Percent Change in Consumer Prices - to Feb 2023

	United States		New England	
	Last Month Jan 2023	Last Year Feb 2022	Last Month Jan 2023	Last Year Feb 2022
All Items	0.6%	6.0%	0.2%	5.1%
Food	0.4%	9.5%	-0.1%	8.0%
Shelter	0.8%	8.1%	1.0%	6.4%
Fuel & Utilities	-1.8%	11.1%	-3.6%	20.8%
Transportation	0.7%	2.6%	0.6%	0.3%
Medical	-0.4%	2.3%	-0.5%	2.3%
Recreation	1.1%	5.0%	0.1%	0.5%
Education	0.0%	1.0%	-0.6%	0.0%
All, Less Food/Energy	0.7%	5.5%	0.5%	4.0%

Source: U.S. Bureau of Labor Statistics/Haver Analytics.

Exhibit 8: Real and Nominal Employment Cost Indexes (PIW) - to Q4 2022

	12-month Percent Change in Current Dollar			12-month Percent Change in Constant Dollar		
	Q4 2021	Q3 2022	Q4 2022	Q4 2021	Q3 2022	Q4 2022
United States						
Total Compensation	4.4%	5.2%	5.1%	-2.5%	-2.8%	-1.2%
Wages and Salaries	5.0%	5.2%	5.1%	-1.9%	-2.7%	-1.2%
New England						
Total Compensation	4.4%	5.3%	5.7%	-1.4%	-1.7%	-0.5%
Wages and Salaries	4.9%	5.3%	5.9%	-1.0%	-1.9%	-0.3%

Source: U.S. Bureau of Labor Statistics/Haver Analytics.

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Note: Data are not seasonally adjusted. PIW == Private Industry Workers

Exhibit 9: Nominal Employment Cost Indexes by Sector (PIW) - to Q4 2022

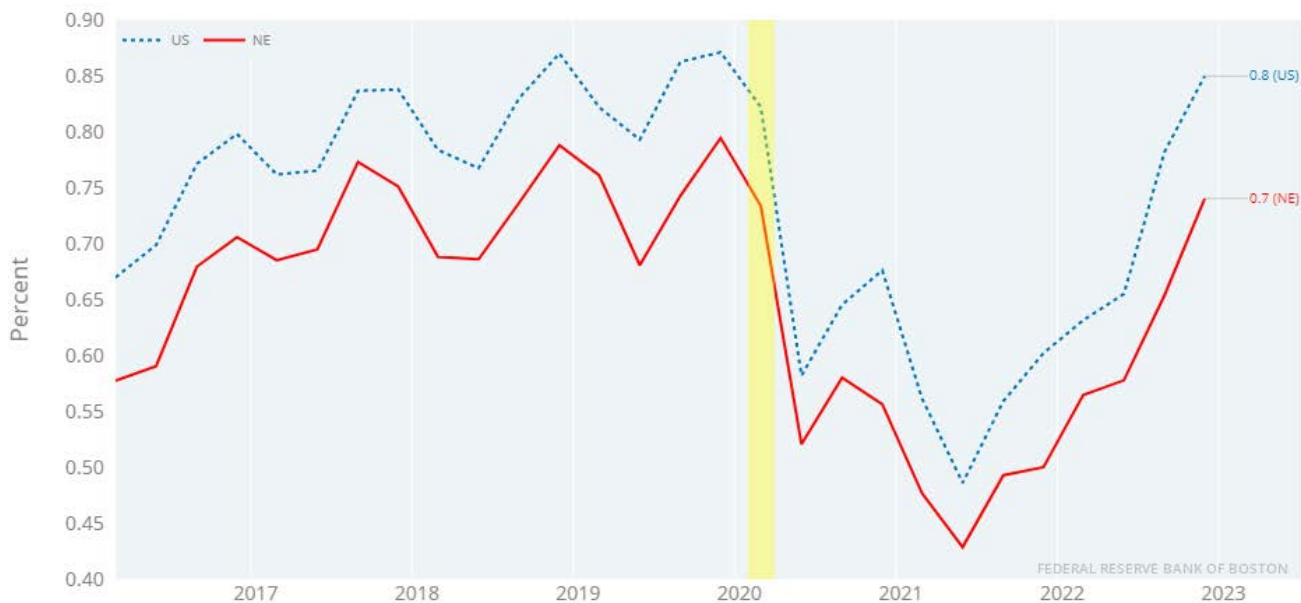
	12-Month Percent Change in Wages & Salaries	US Employment Share	NE Employment Share
Construction	4.8%	6.0%	5.2%
Manufacturing	5.1%	9.9%	9.3%
Trade/Transportation/Utilities	4.9%	22.1%	19.8%
Information	4.9%	2.4%	N/A
Finance, Insurance & Real Estate	5.0%	7.0%	7.3%
Professional & Business Services	5.0%	17.4%	17.9%
Educational & Health Services	5.5%	18.8%	24.8%
Leisure & Hospitality	6.6%	12.2%	11.4%
Other Services	4.3%	4.4%	4.3%

Source: U.S. Bureau of Labor Statistics/Haver Analytics

Note: Wage data are not seasonally adjusted. PIW == Private Industry Workers

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Exhibit 10: Consumer Credit Card Newly Delinquency Rate - to Q4 2022

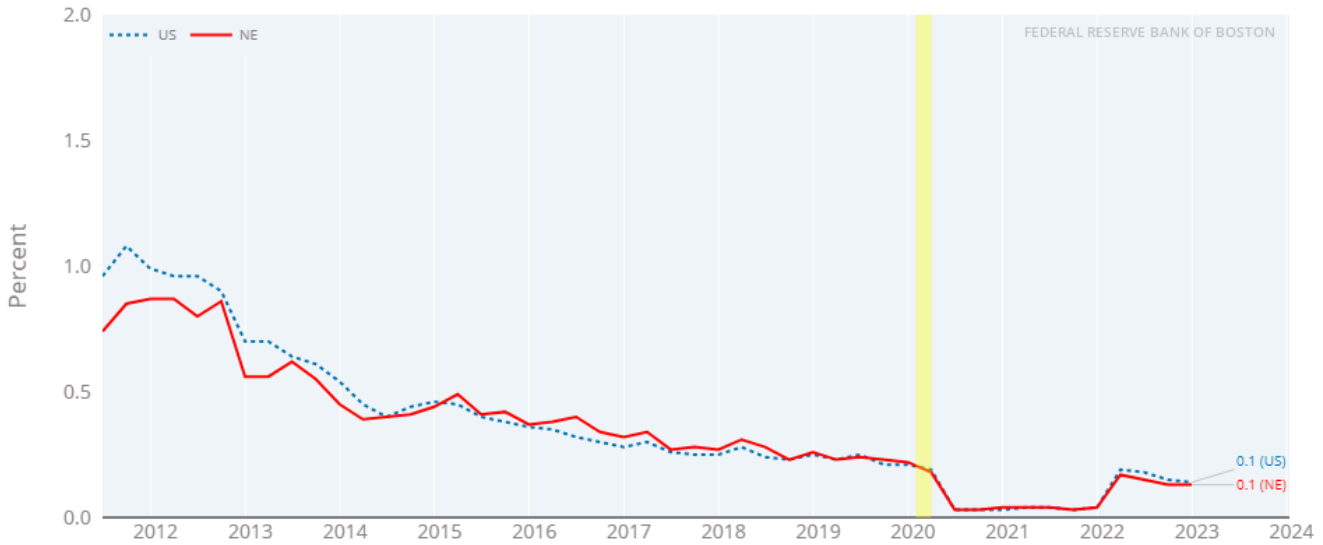


Source: FRBNY/Equifax Consumer Credit Panel

Note: Newly delinquency rate is defined as the percent of credit card balance in accounts between 30 and 59 day late, but no more than two payments past due. First data point after year label represents first quarter of the given year. Yellow bars indicate recessions.

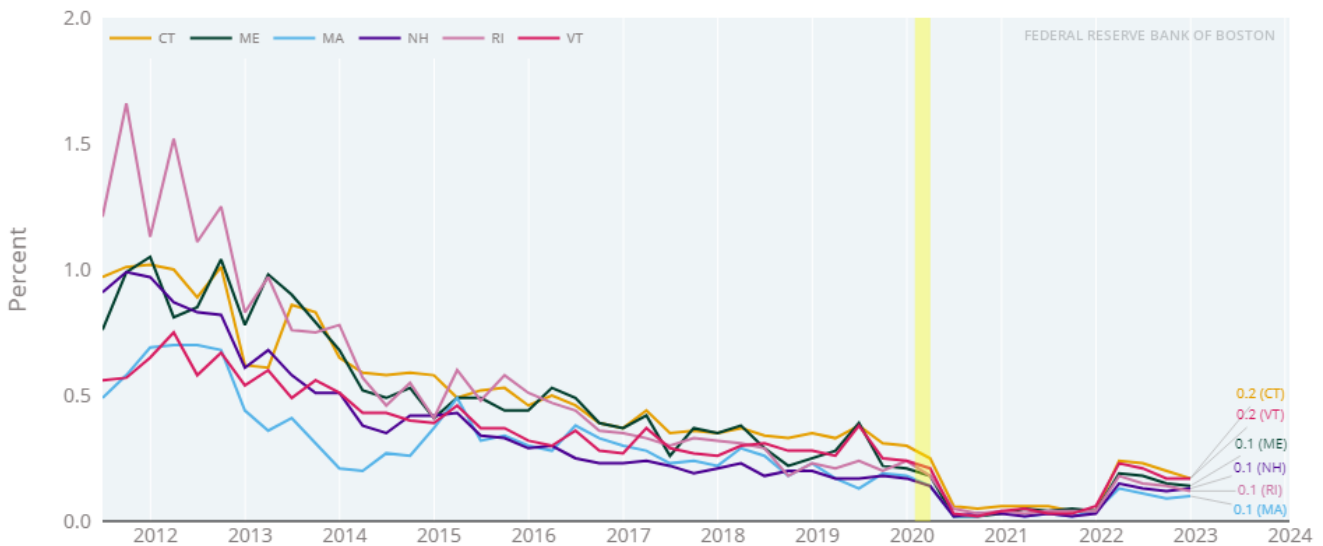
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Exhibit 11: Foreclosures Started as a Percentage of All Loans - to Q4 2022



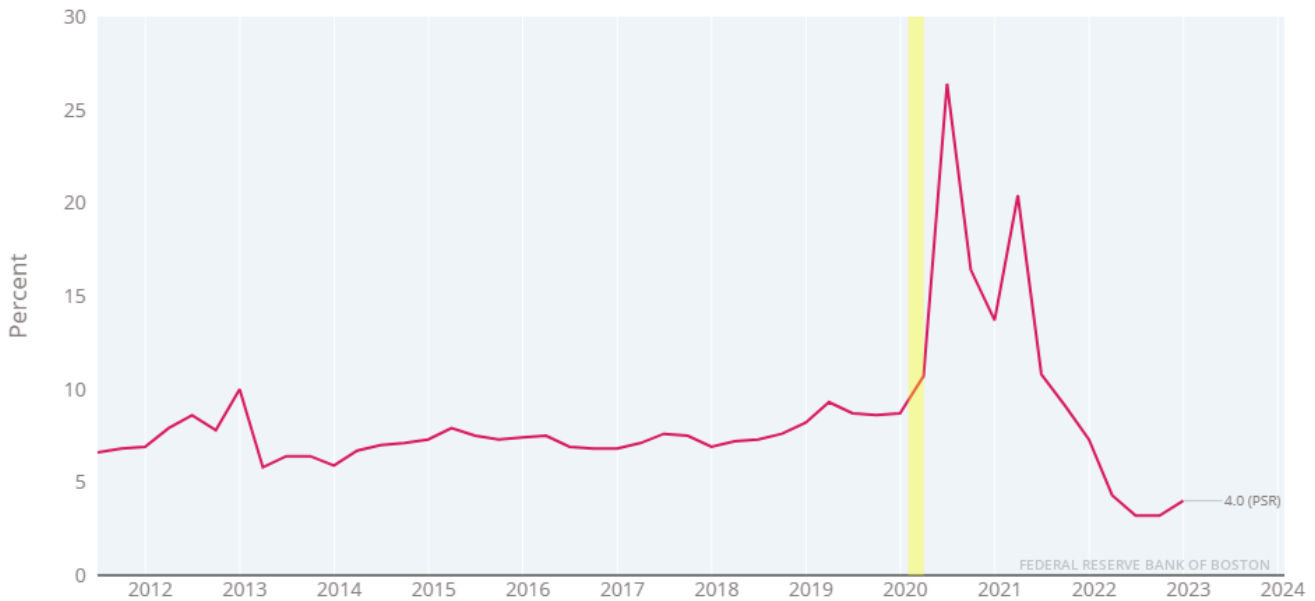
Source: Mortgage Bankers Association/Haver Analytics.
Note: Data denote the percentage of all conventional loans that entered foreclosure. In March 2020, the FHFA instituted a moratorium on foreclosures and evictions for homeowners with enterprise-backed mortgages. Also in March the U.S. Department of Housing and Urban Development imposed a similar moratorium on foreclosures and evictions for homeowners with FHA-insured single family mortgages. On August 26, 2021, the U.S. Supreme Court ruled against the latest extension of a version of these moratoria to October 3, 2021 by the Centers for Disease Control and Prevention. First data point after year label represents first quarter of the given year. Yellow bars indicate recessions.

Exhibit 12: Foreclosures Started in New England States as a Percentage of All Loans - to Q4 2022



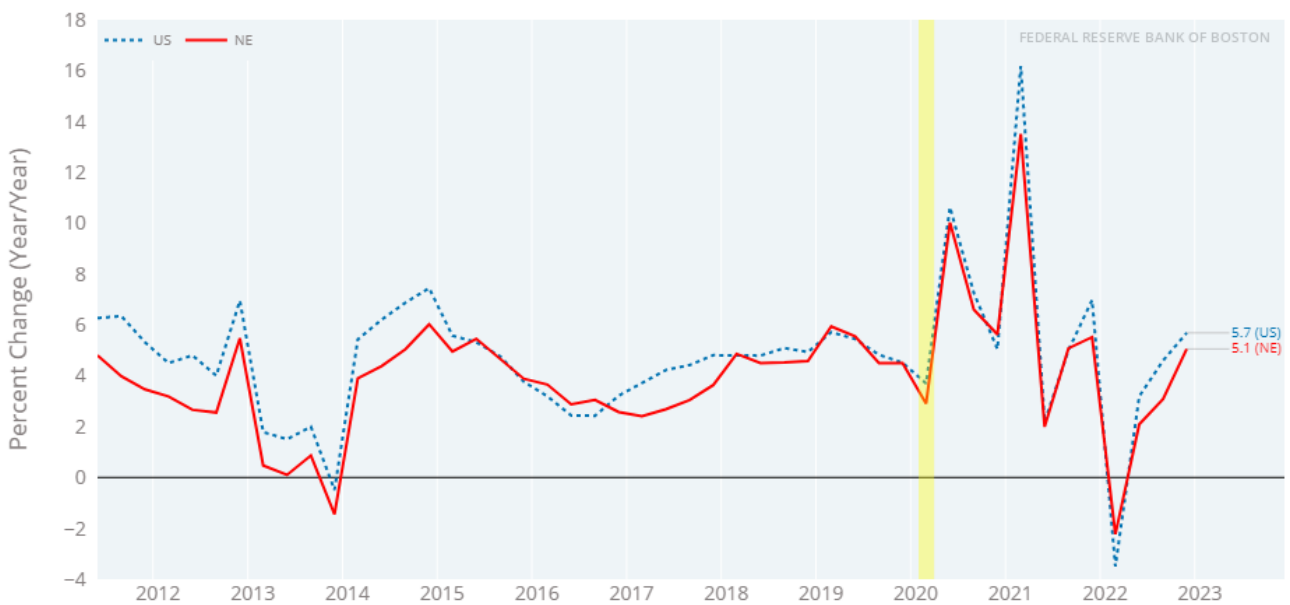
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Exhibit 13: Personal Savings Rate - to Q4 2022



Source: Bureau of Economic Analysis/Haver Analytics.
 Note: Data are seasonally adjusted. First data point after year label represents first quarter of the given year. Yellow bars indicate recessions.
 PSR == Personal Savings Rate

Exhibit 14: Personal Income - to Q4 2022



Source: U.S. Bureau of Economic Analysis/Federal Reserve Bank of Boston.
 Note: Data are seasonally adjusted. First data point after year label represents first quarter of the given year. Yellow bars indicate recessions.