



Current Economic Conditions in New England

NAHEFFA Fall 2023 Conference

October 10, 2023

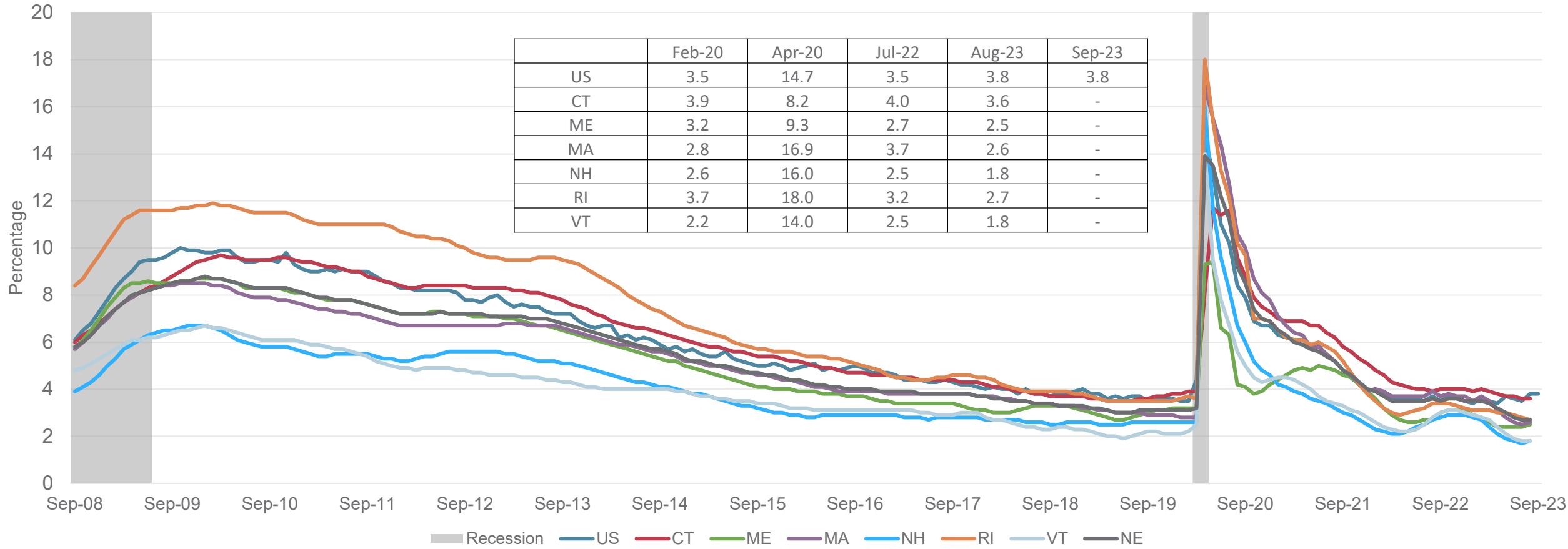
Jeffrey Thompson
Vice President, Economist, and Director
New England Public Policy Center
Federal Reserve Bank of Boston

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 - All six New England states have unemployment rates below pre-pandemic levels;
- ▶ Employers' difficulty finding workers has diminished in recent months, but remains at historically high levels;
- ▶ The pace of employment growth is slowing, but remains above long-run average rates;
- ▶ Headline inflation (CPI) has fallen sharply over last year, but core PCE inflation has come down more slowly and remains near 4 percent. Service sector price growth has been particularly stubborn;
- ▶ Growth in housing prices and rents has returned to long-run average rates, but the most notable feature of the housing market is the dramatic reduction in activity: fewer listings, sales, permits and starts;
- ▶ Consumer confidence remains high, but business community outlook considerably less rosy;
- ▶ New England region faces a host of longer-term challenges
 - ▶ Labor force & population growth
 - ▶ Housing affordability

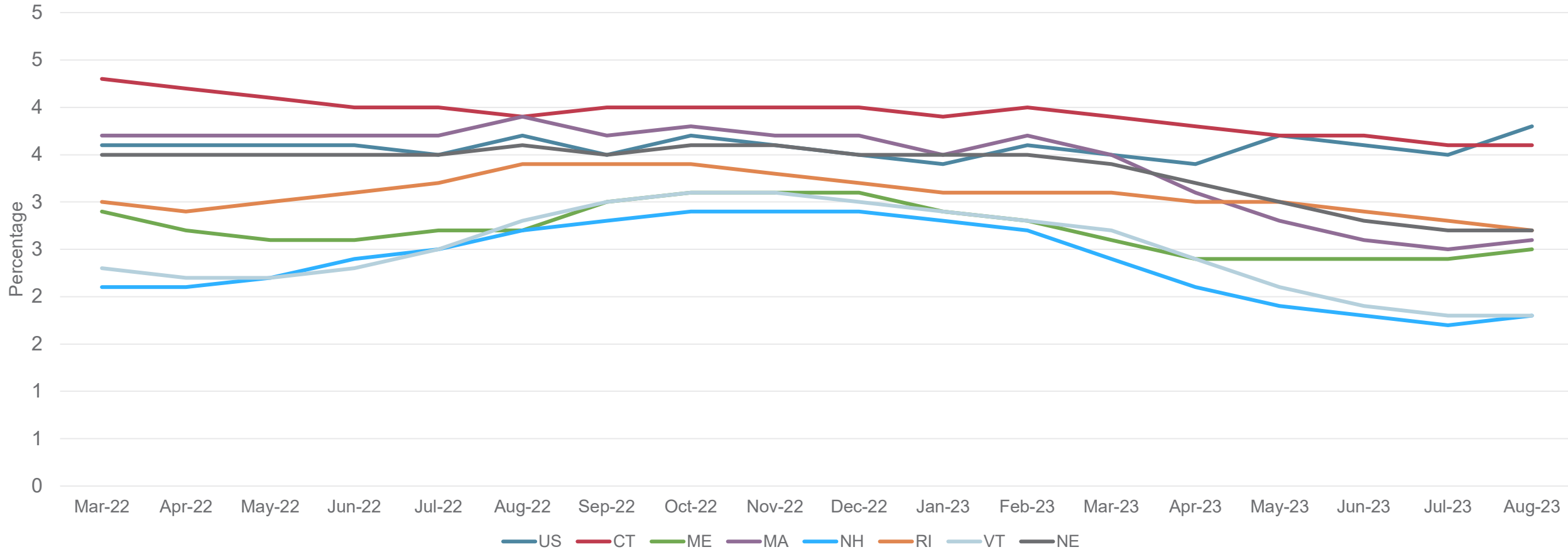
Unemployment Below Pre-pandemic Lows in all NE States



Seasonally adjusted

Source: Bureau of Labor Statistics, NBER, Haver Analytics

After drifting up in 2nd half of 2022, NE unemployment has continued to fall in 2023



Seasonally adjusted

Source: Bureau of Labor Statistics, NBER, Haver Analytics

Unemployment Rates in New England by Metropolitan Areas

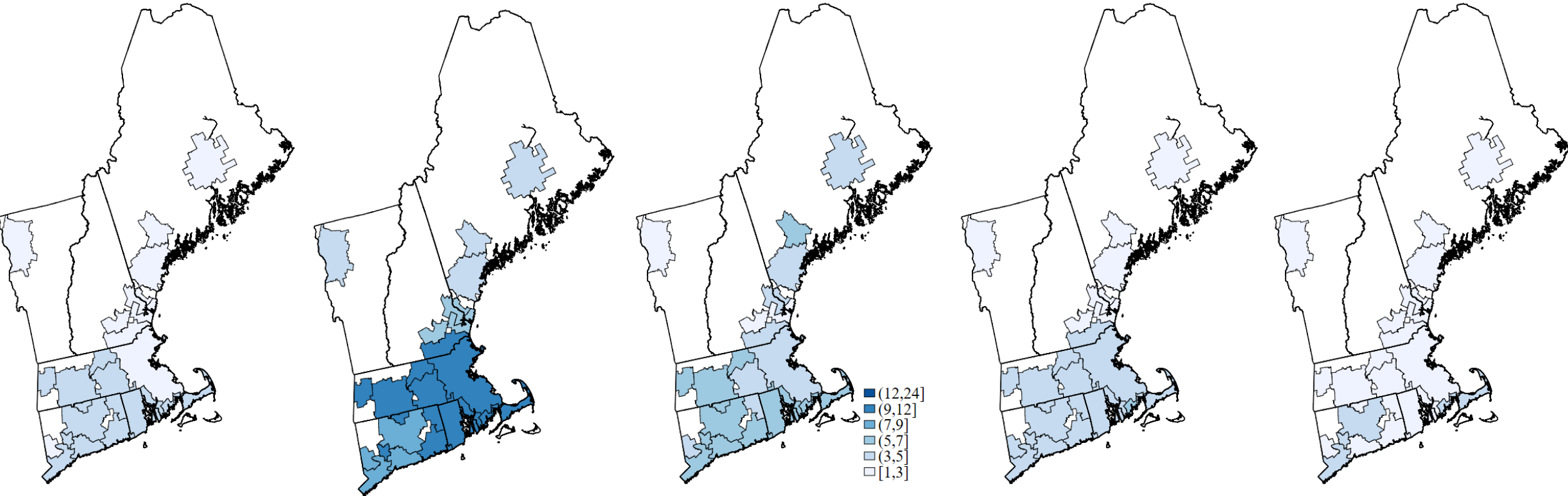
AUG 2019

AUG 2020

AUG 2021

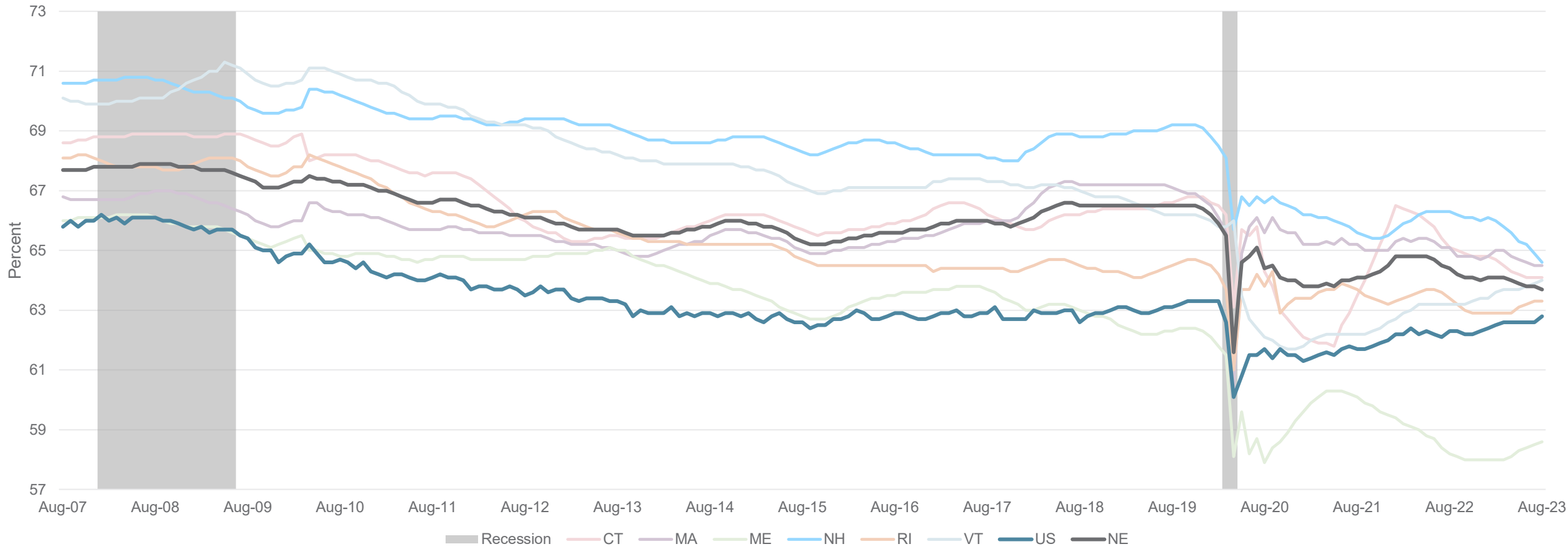
AUG 2022

AUG 2023



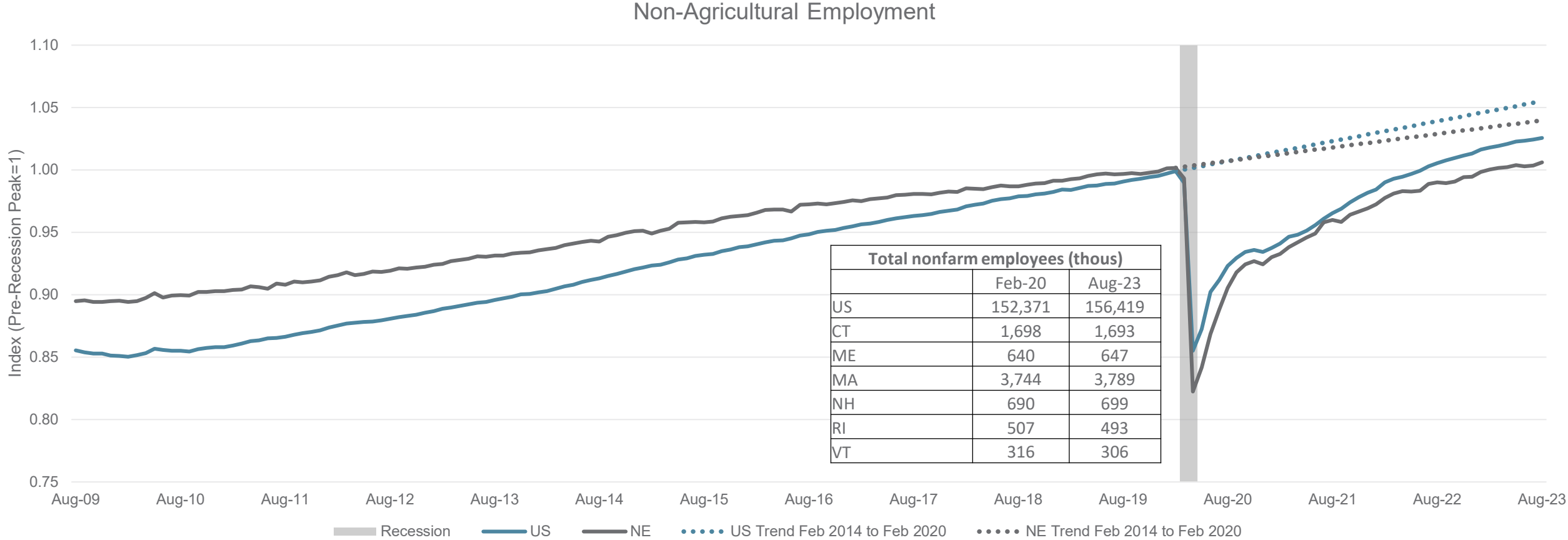
Source: Bureau of Labor Statistics, Haver Analytics, Federal Reserve Bank of Boston, IPUMS NHGIS

Labor Force has recovered nationally; Not in New England



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

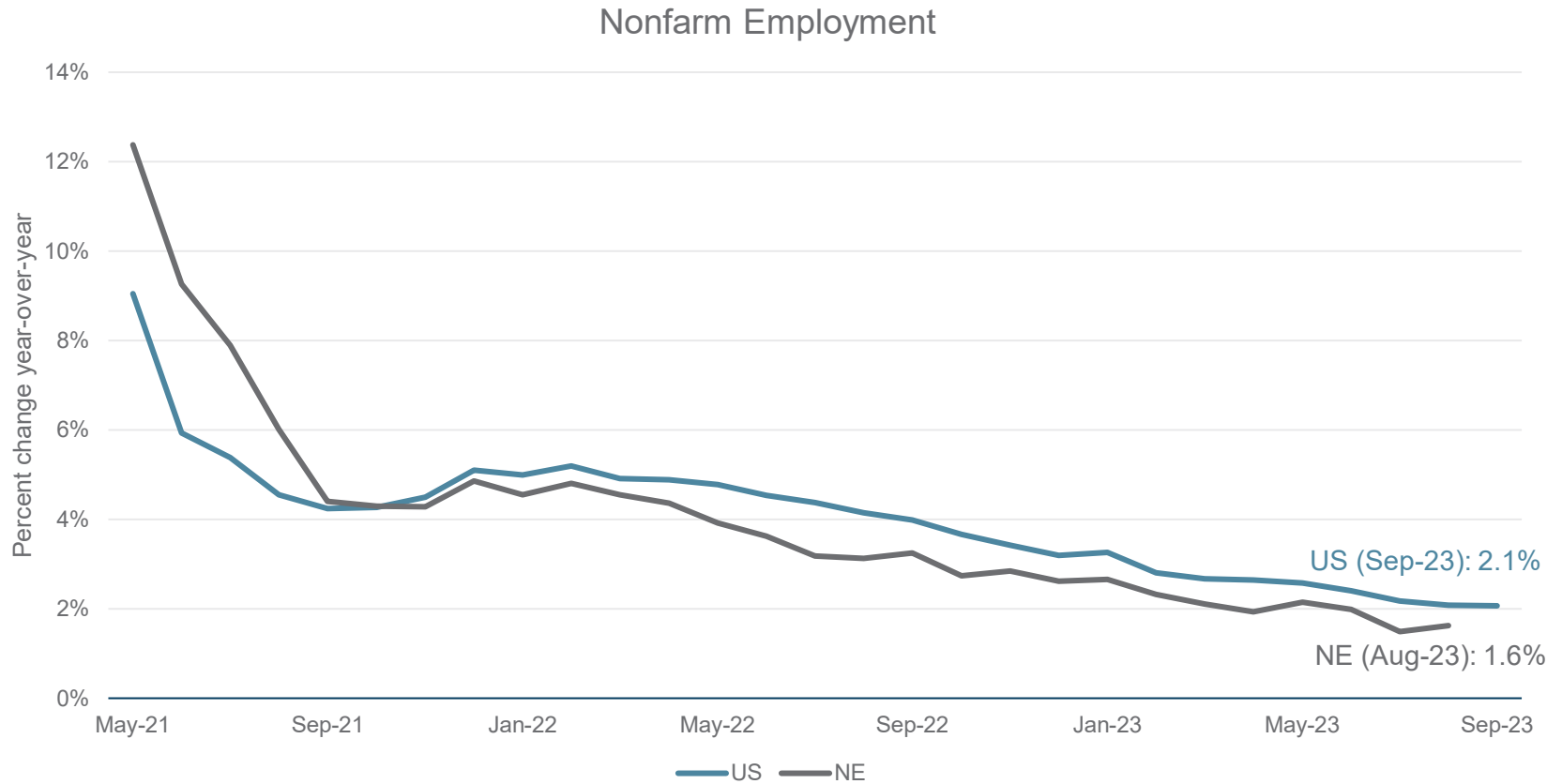
Pandemic-era Job Losses Have Finally Been Restored in New England



Peak values are determined after the recession of 2008-2009; they may differ for each region. Values for New England 0.822 (Apr-20) and 1.006 (Aug-23) and the US 0.855 (Apr-20) and 1.026 (Aug-23). Seasonally adjusted.

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

Pace of Job Growth Continues to Slow, But Remains Above Long-Run Average in Most States



	Long-Term Trend	Last 12 months
	Percent	Percent
United States	1.1	2.0
New England	0.7	1.6
Connecticut	0.3	1.3
Maine	0.7	1.0
Massachusetts	0.9	2.4
New Hampshire	1.1	1.4
Rhode Island	0.4	-1.4
Vermont	0.6	0.5

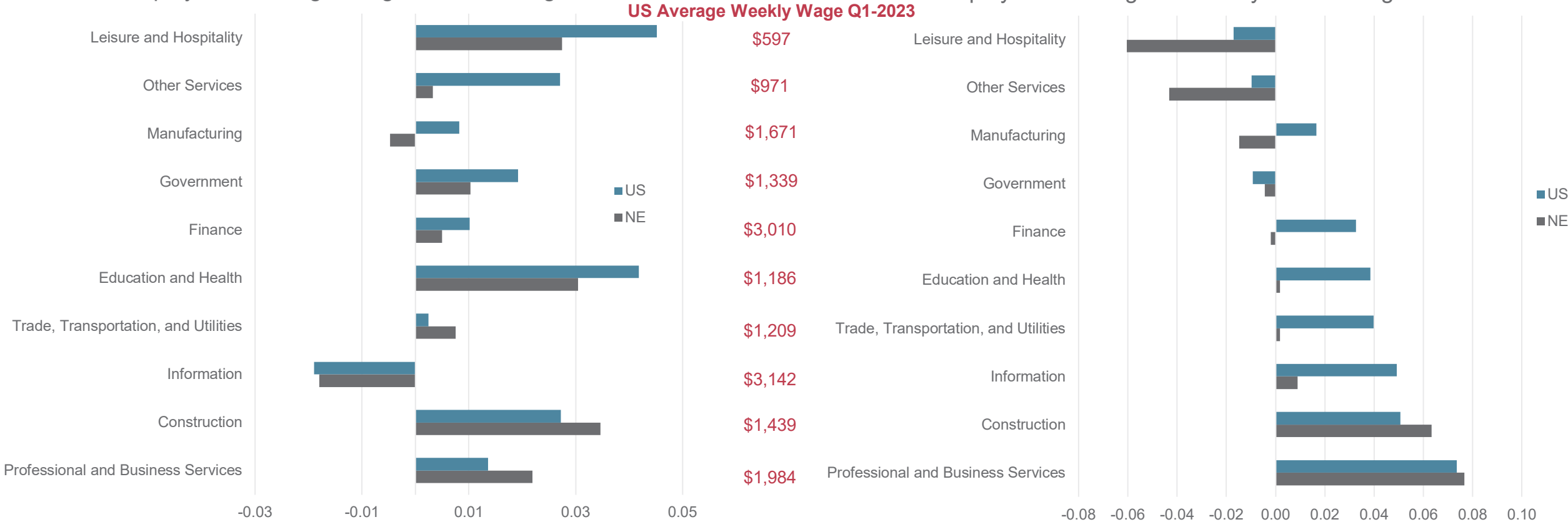
Source: Bureau of Labor Statistics, Haver Analytics

Righthand table: Long-term trend includes August 1993 to August 2023. Last 12 months include August 2022 to August 2023.

Post-Pandemic Sectoral Shifts Favor Higher-Wage Industries

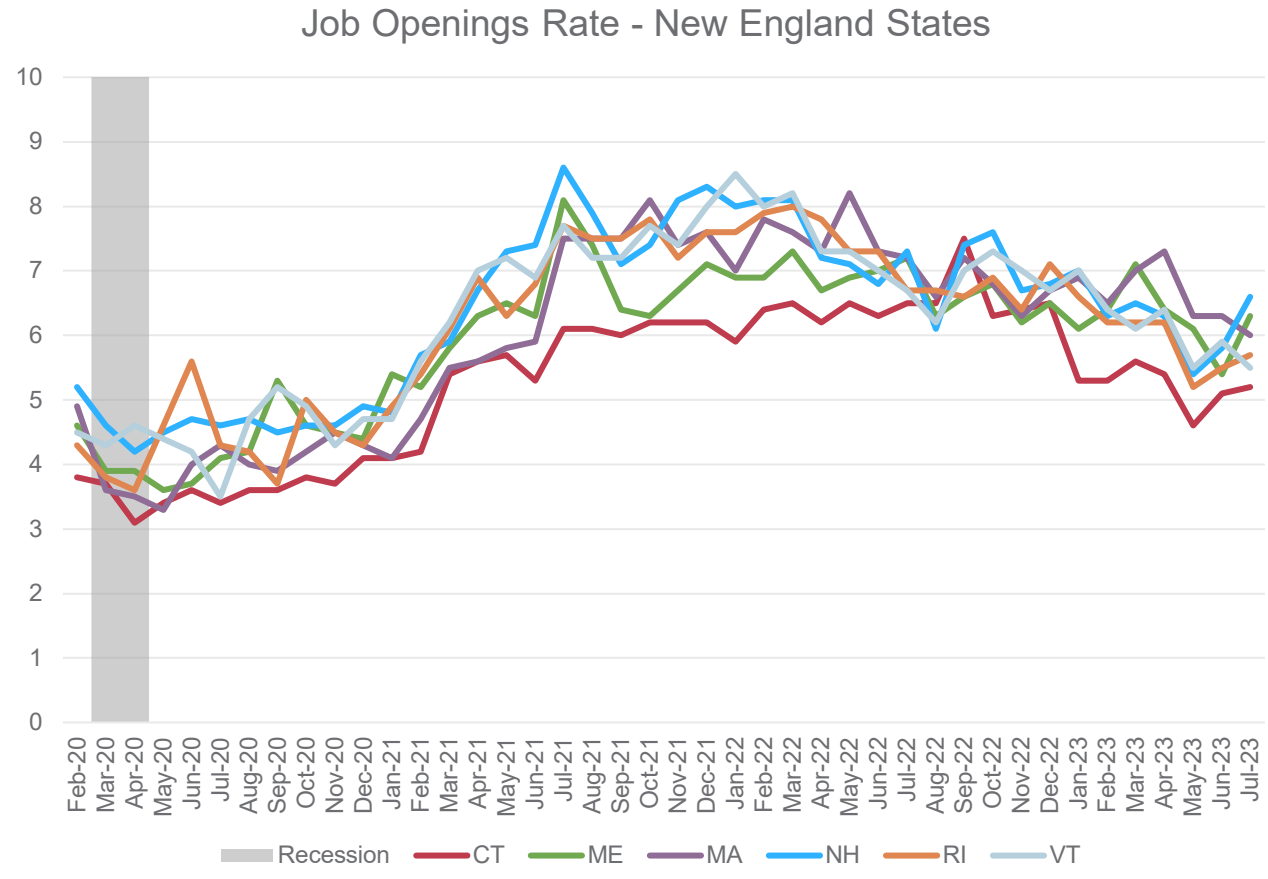
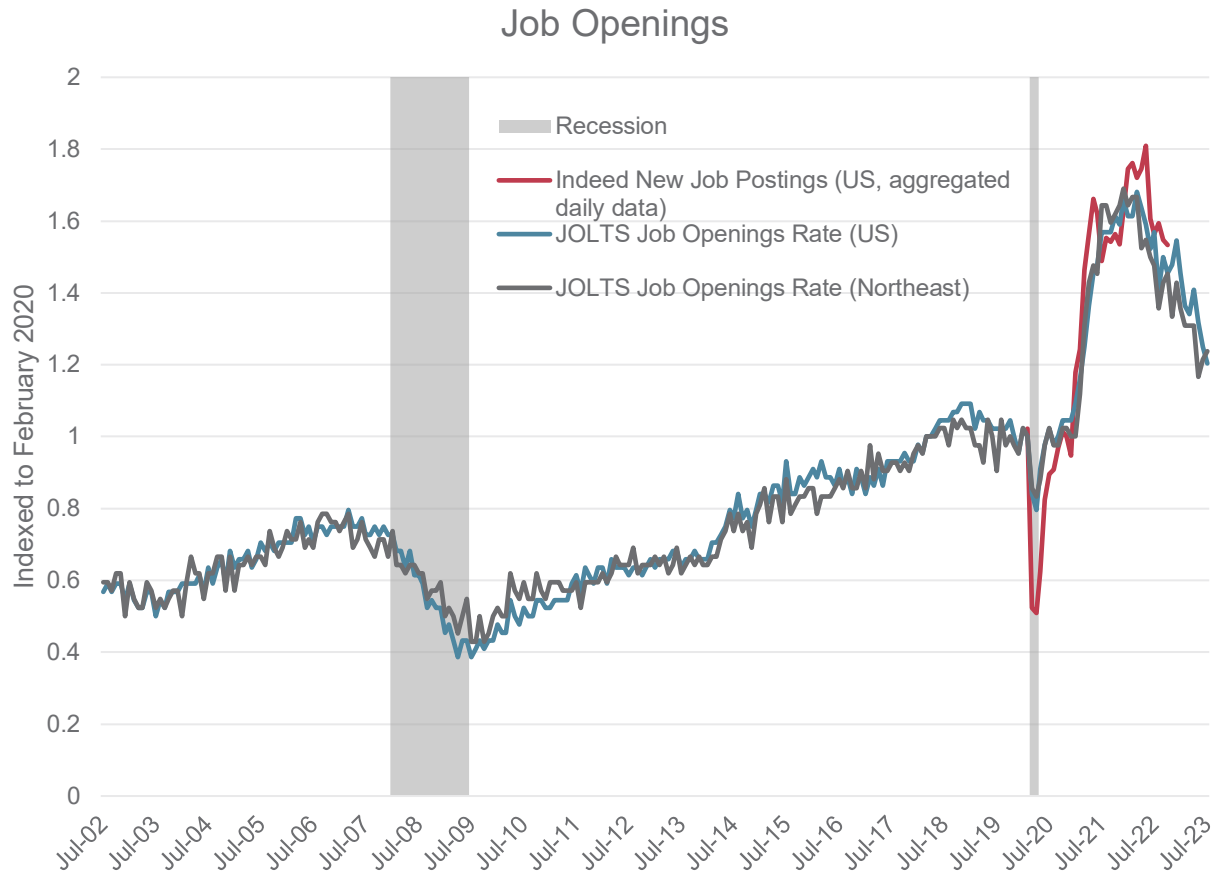
Employment Changes August 2022 to August 2023

Employment Changes February 2020 to August 2023



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

Job Openings Have Been Falling for More than A Year, but Remain at Historically High Levels

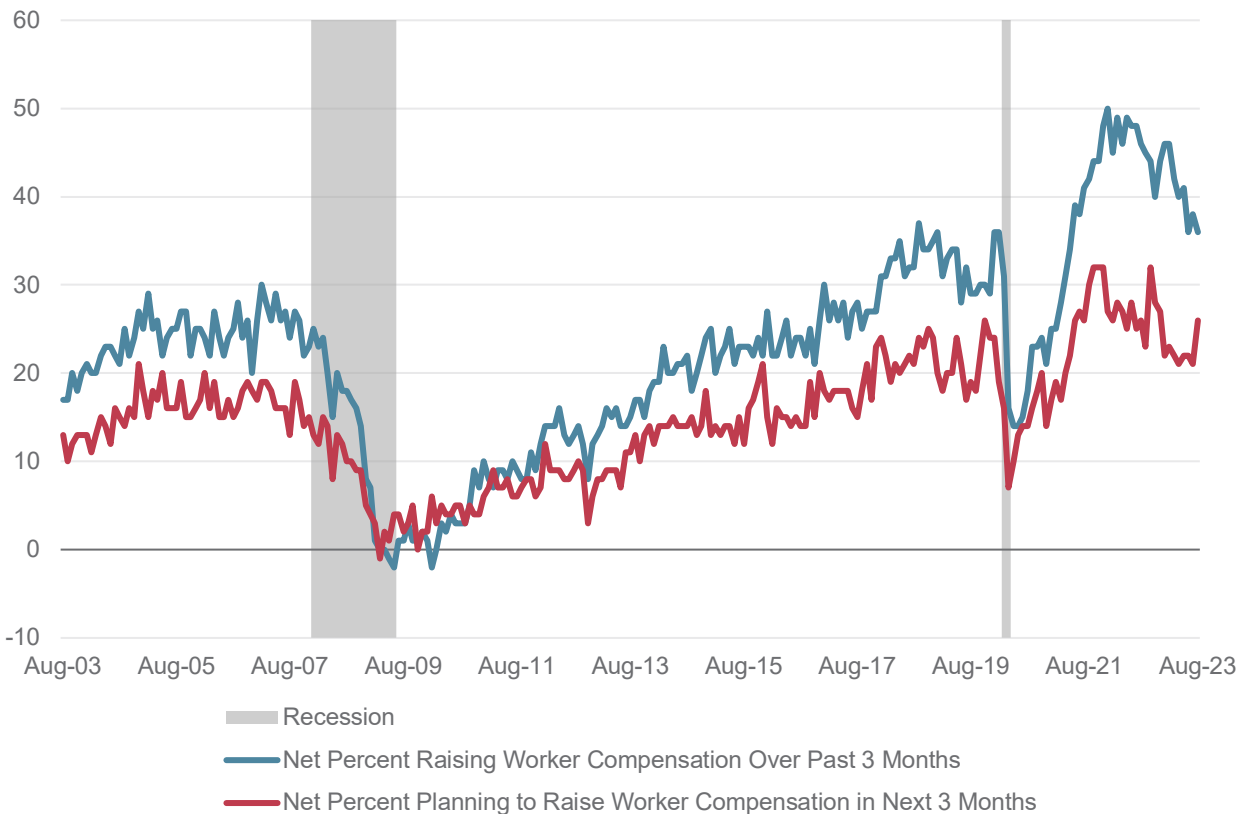


Seasonally adjusted.

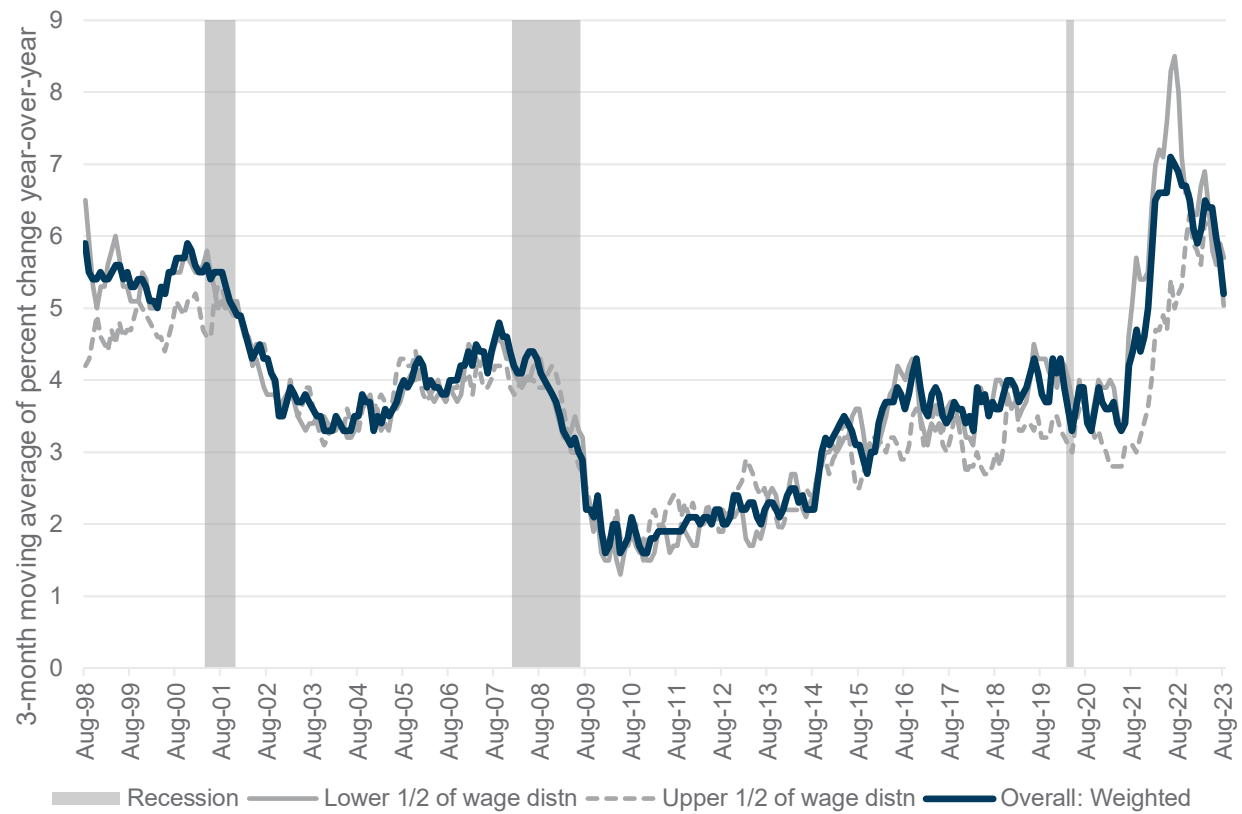
Source: JOLTS, Bureau of Labor Statistics, Indeed Hiring Lab, NBER, Haver Analytics

Pressure on Employers to Raise Wages Has Been Softening Over Last Year - Coming Down from Historically High Levels

Small Business Economic Trends: Worker compensation



Wage Growth Tracker



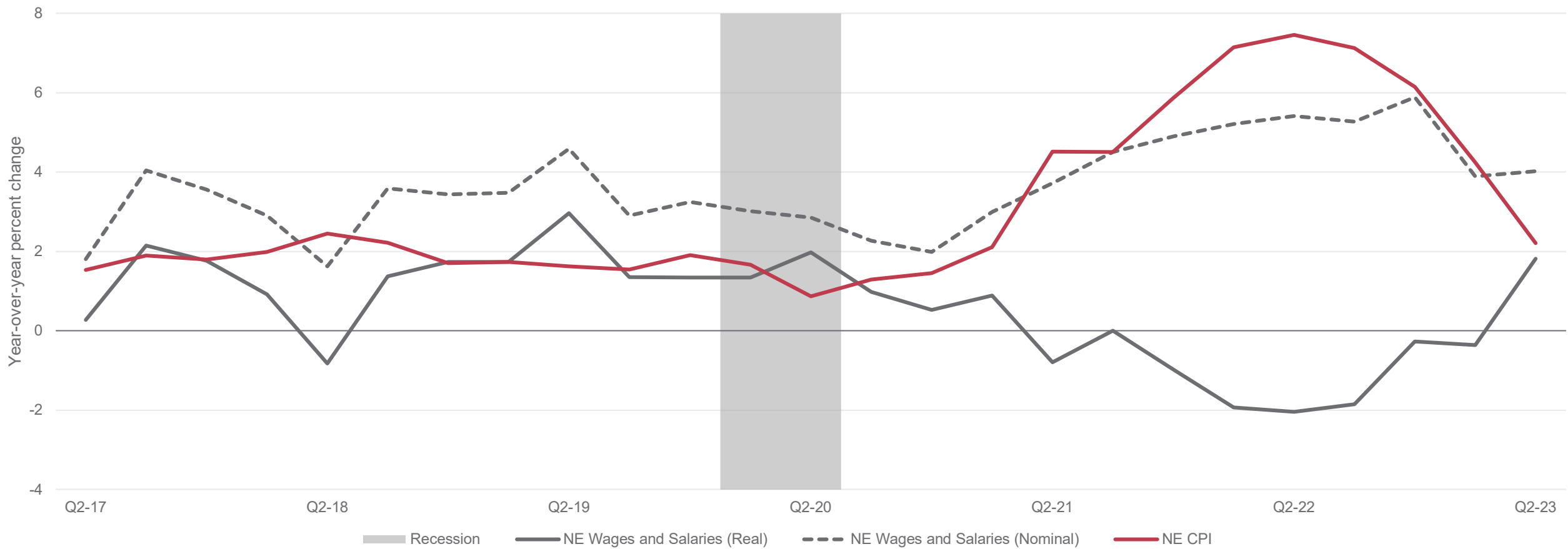
Lefthand figure notes: Seasonally adjusted.

Righthand figure: Lower and upper half of wage distribution refer to those in the lowest half of average wages and those in the top half of average wages, respectively.

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

Until Recently These Wage Gains Were Being Outpaced by Inflation

Wages and Salaries (Real and Nominal) and Inflation

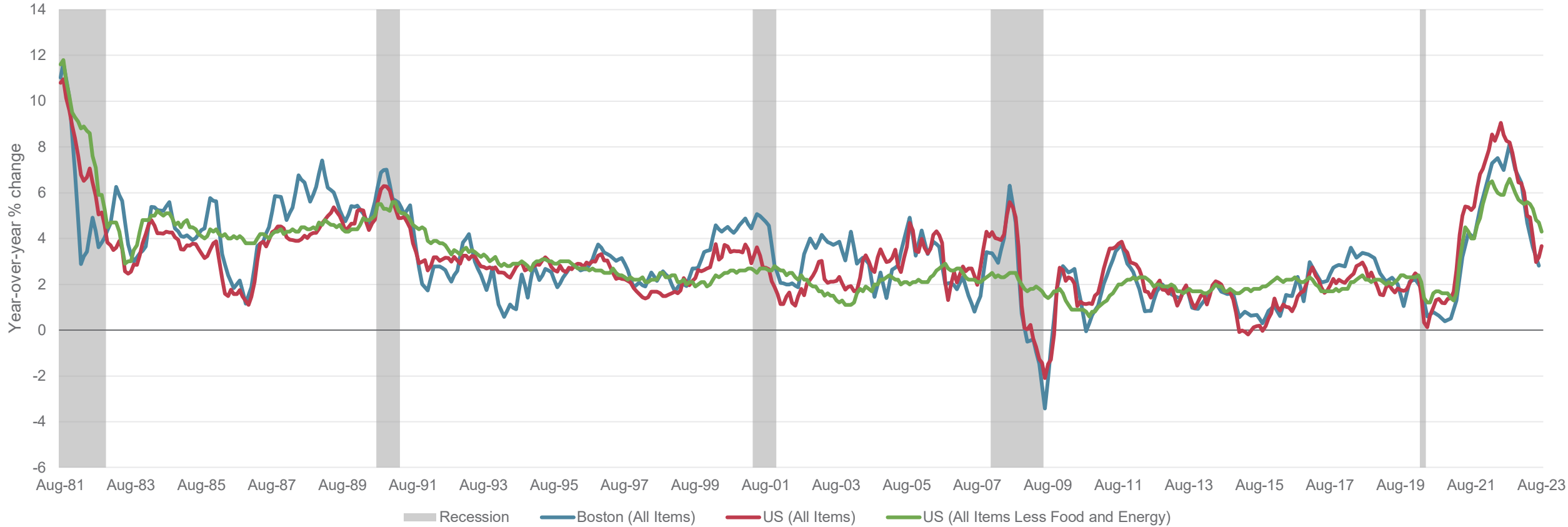


Not seasonally adjusted

Source: Bureau of Labor Statistics, NBER, Haver Analytics

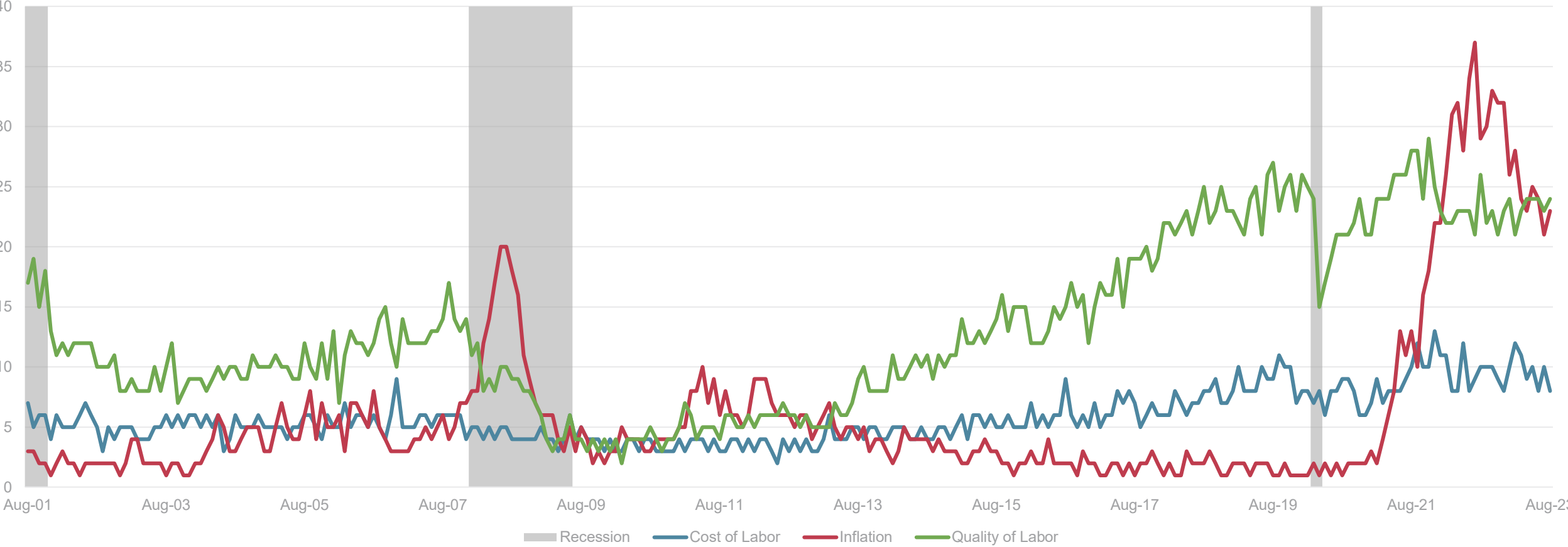
Consumer Price Inflation Sharply Down Since June 2022 Peak

Consumer Price Index



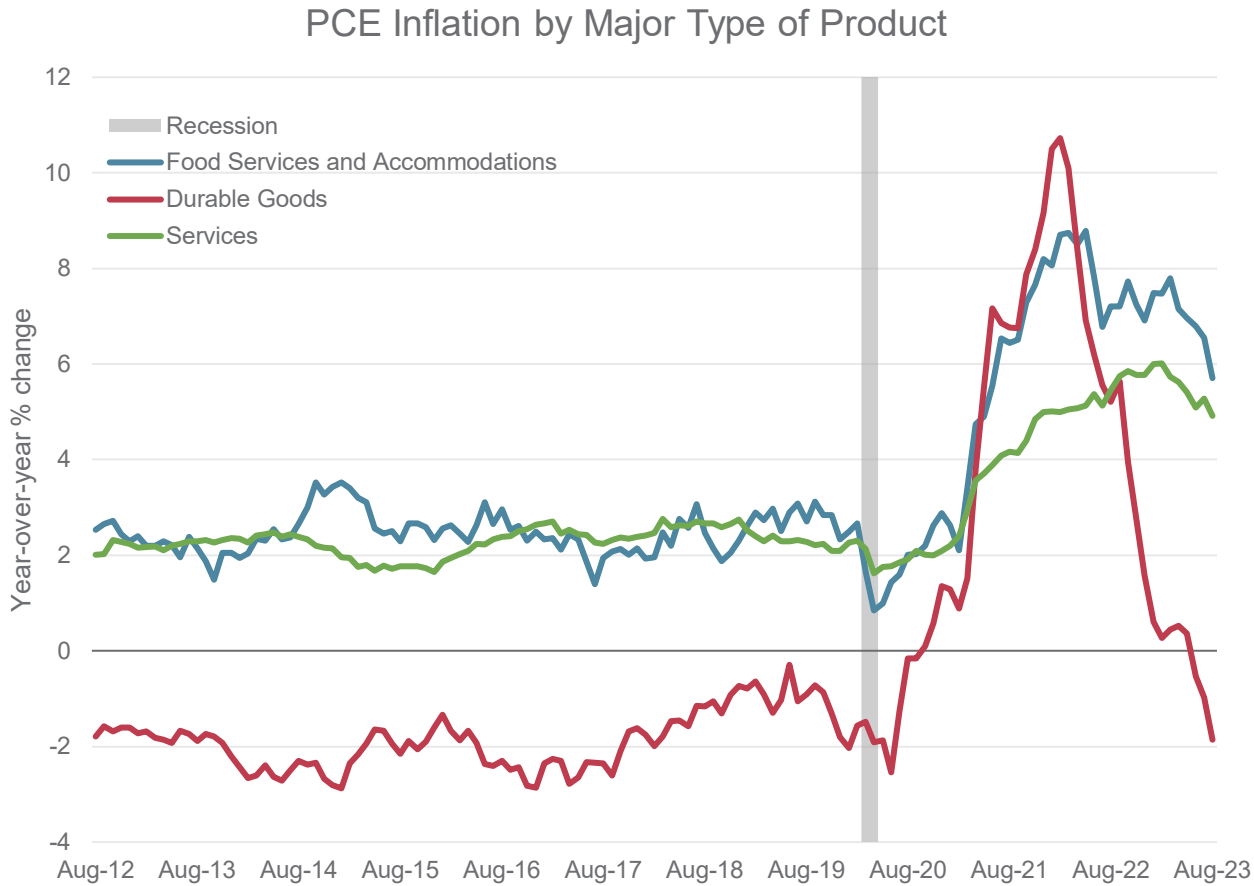
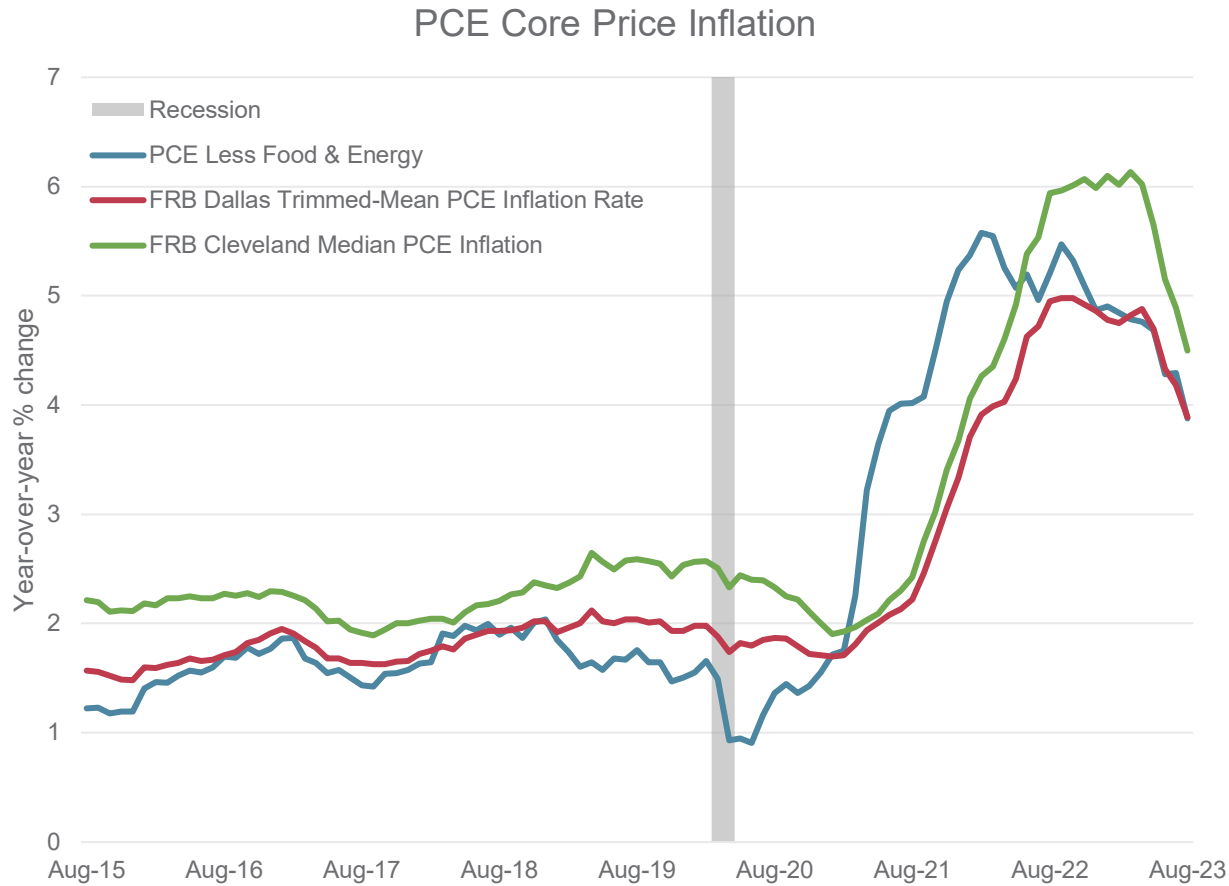
Not seasonally adjusted
Source: Bureau of Labor Statistics, NBER, Haver Analytics

Inflation No Longer the Top Concern for Small Businesses



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

Core PCE Inflation Slower to Recede; Service Sector Prices Particularly Stubborn

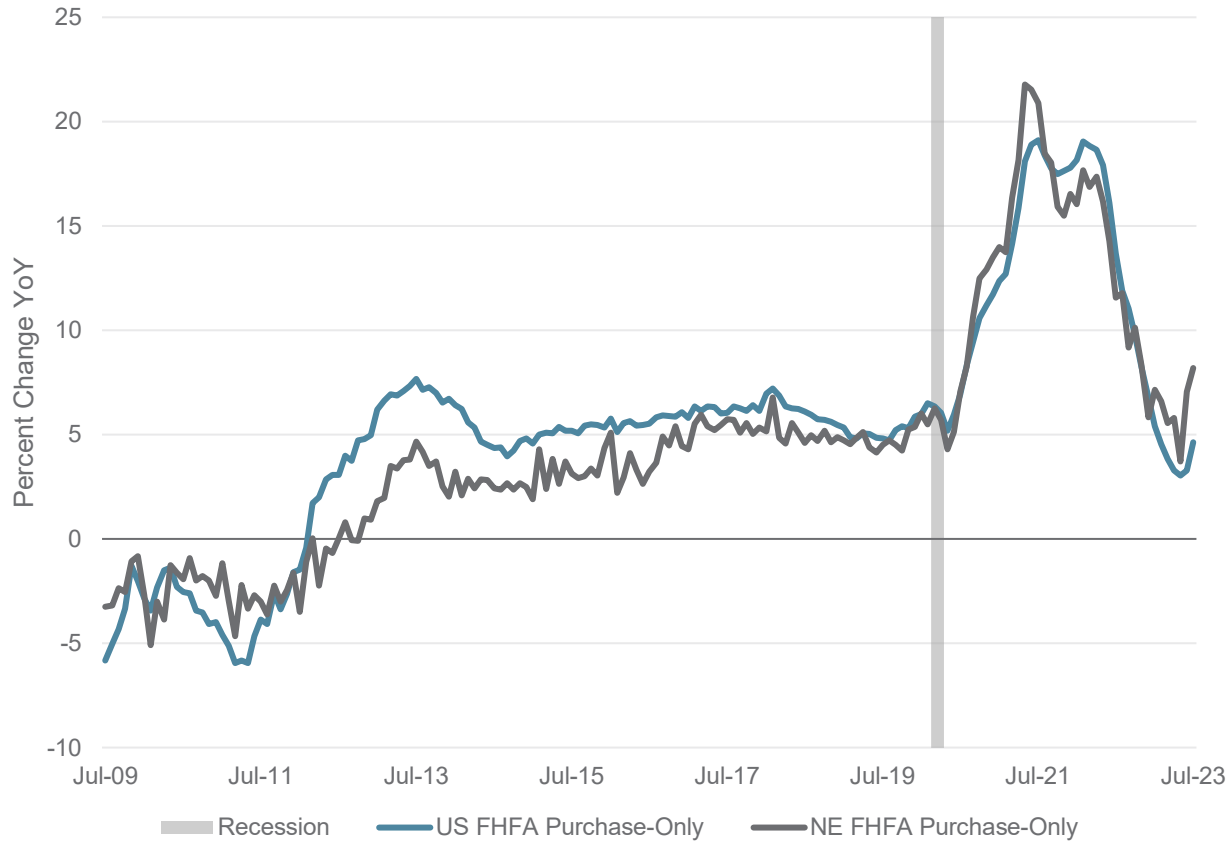


Righthand figure: Seasonally adjusted.

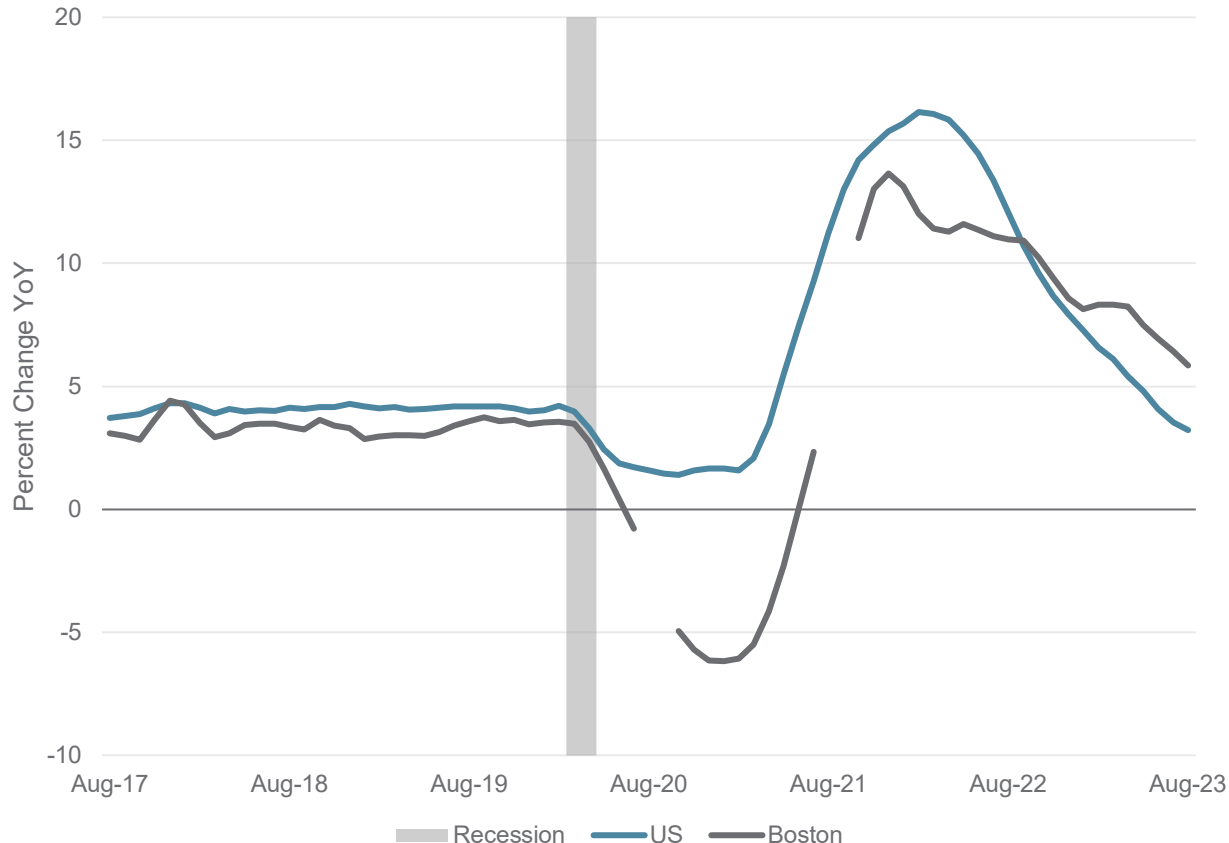
Source: Bureau of Economic Analysis, Federal Reserve Bank of Dallas, Federal Reserve Bank of Cleveland, NBER, Haver Analytics

Homes sales price & advertised rent inflation back in-line with longer-term average growth

Repeat-Sales Home Price Index



Zillow Observed Rent Index



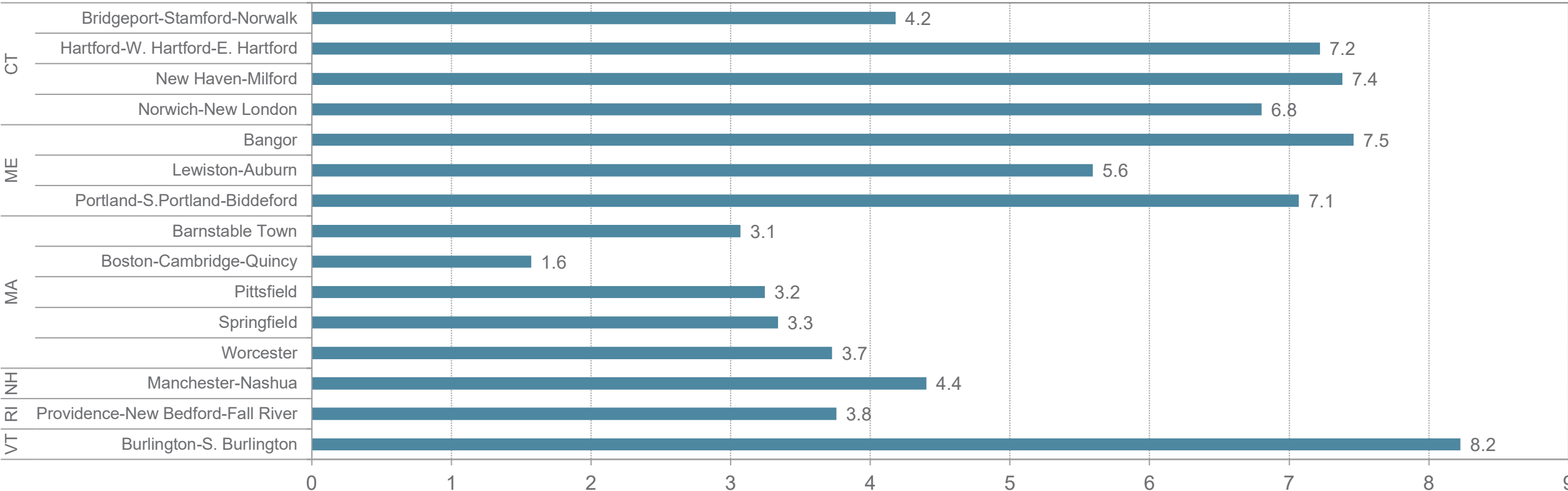
Not seasonally adjusted

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

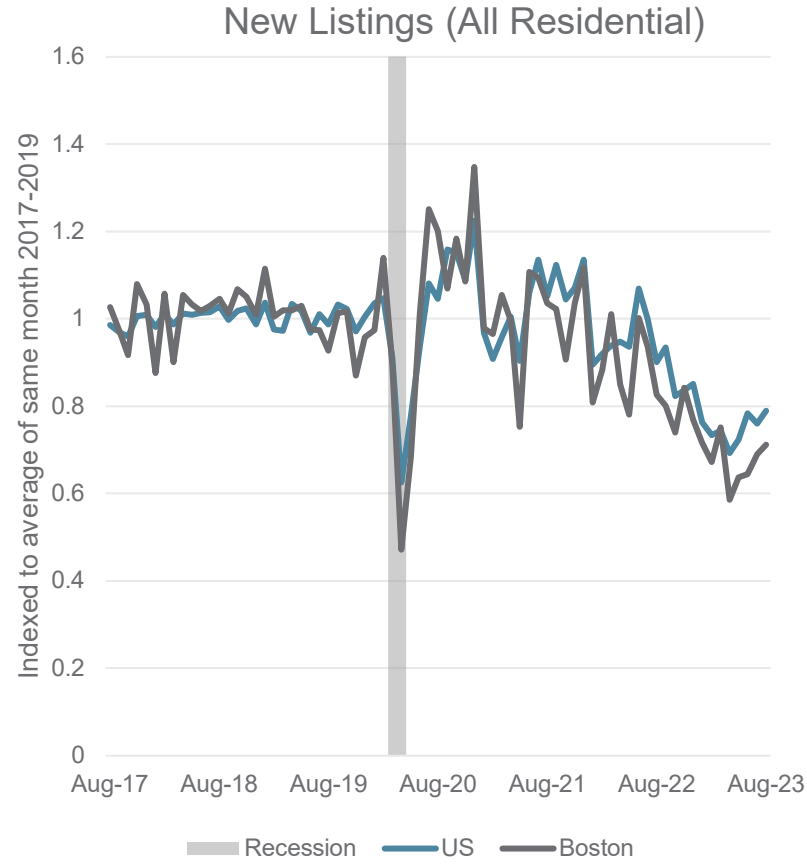
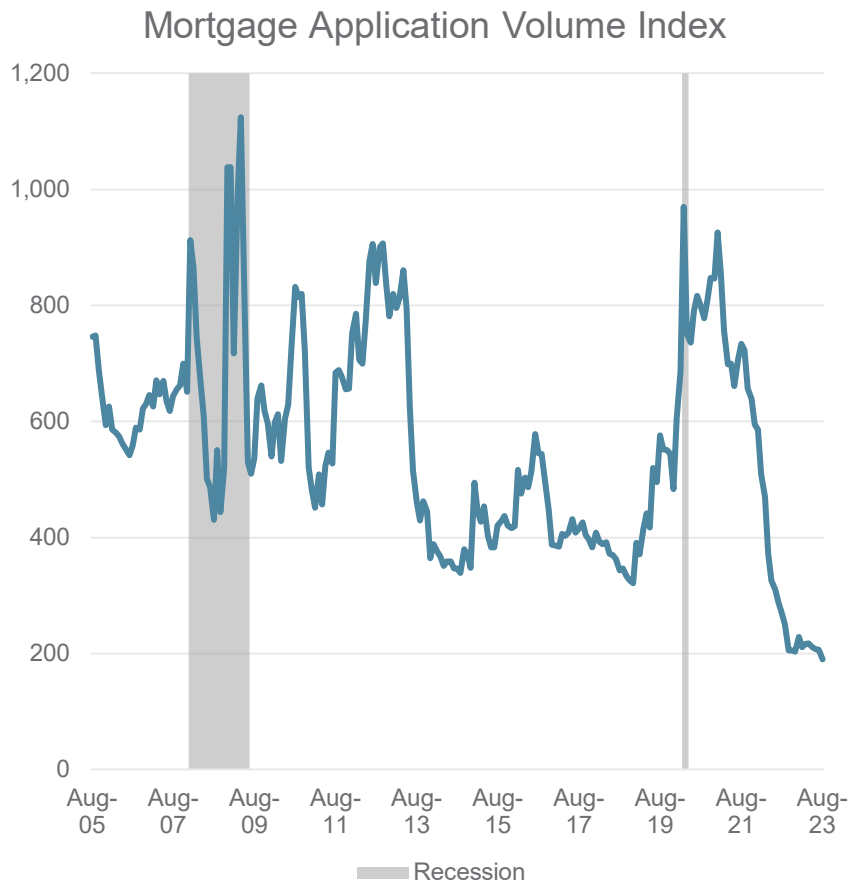
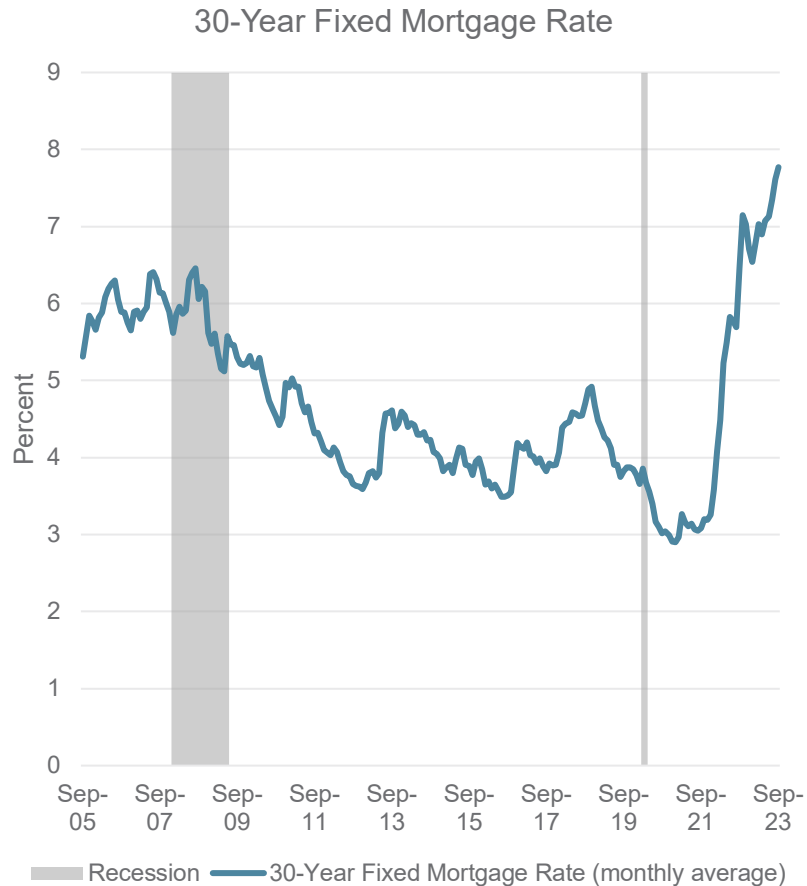
Percent Change, Q2 2022 - Q2 2023



Not seasonally adjusted

Source: Federal Home Loan Mortgage Corporation, Haver Analytics

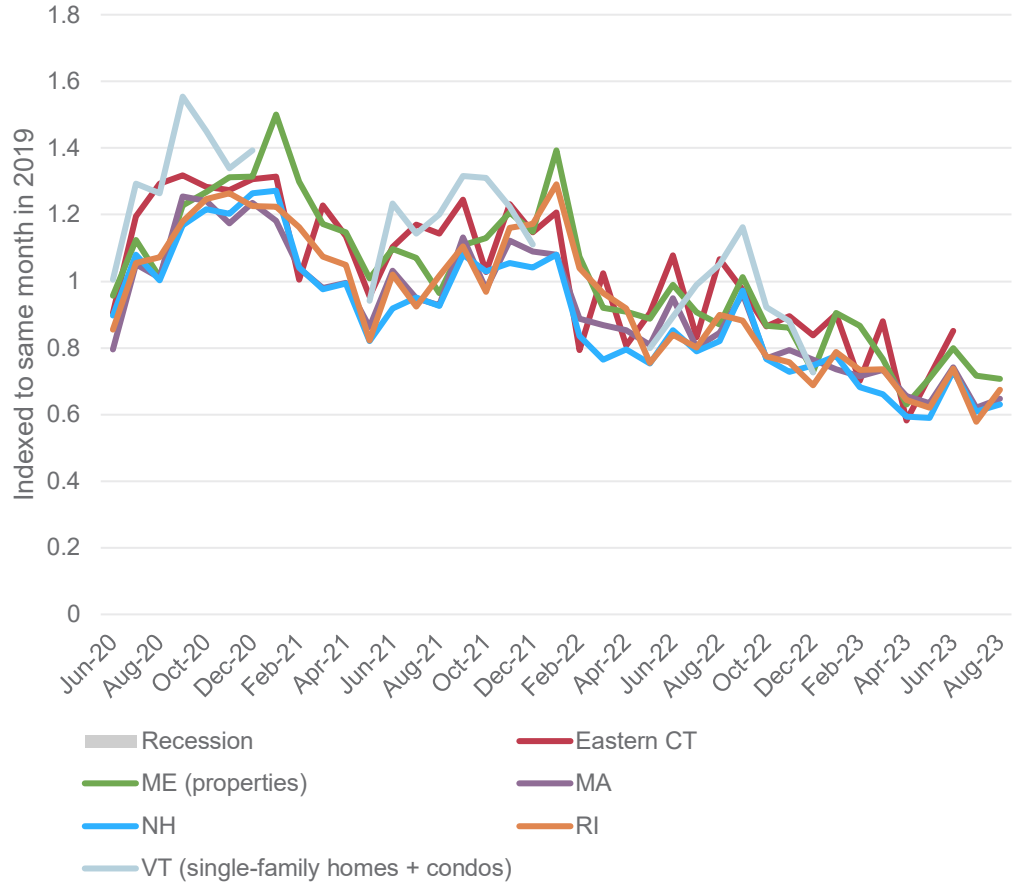
Prices Do Not Tell the Full Story: Slowdown in the Housing Market



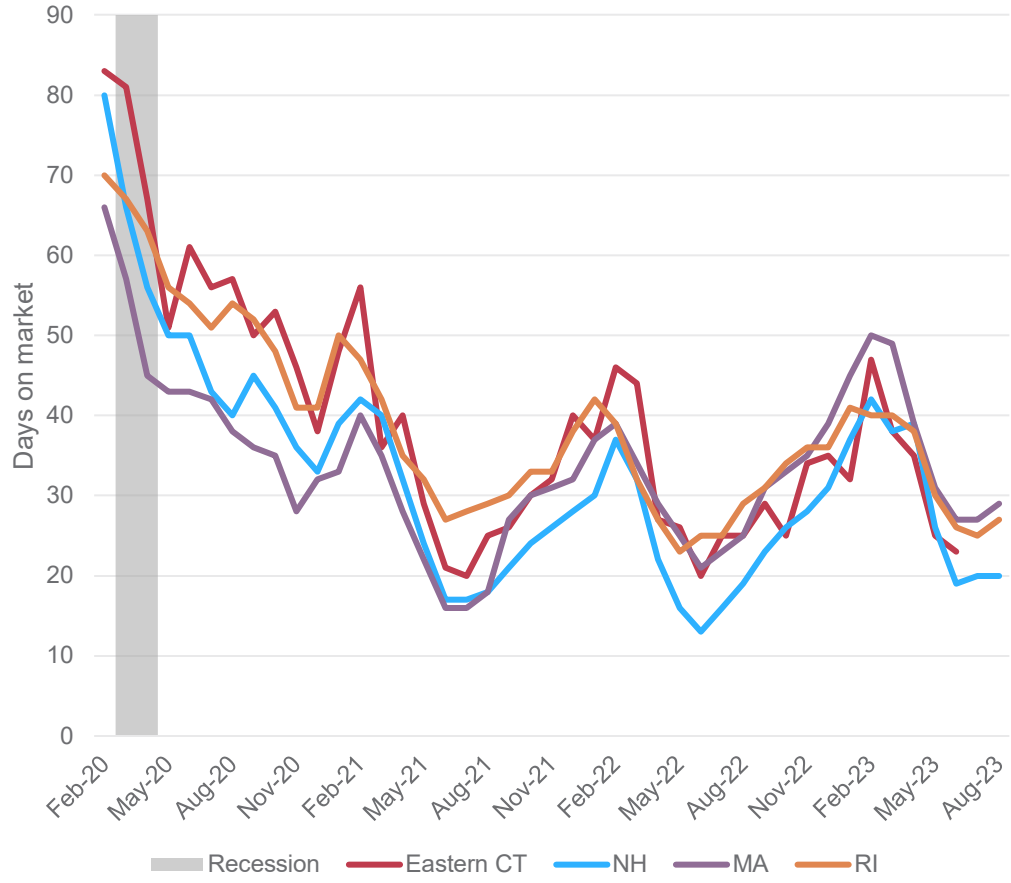
Center figure: seasonally adjusted; Righthand figure: not seasonally adjusted
Source: Wall Street Journal, Mortgage Bankers Association, Redfin, NBER, Haver Analytics

Sales Down Substantially, But Listings Go Quickly

A. Closed Sales (SF)



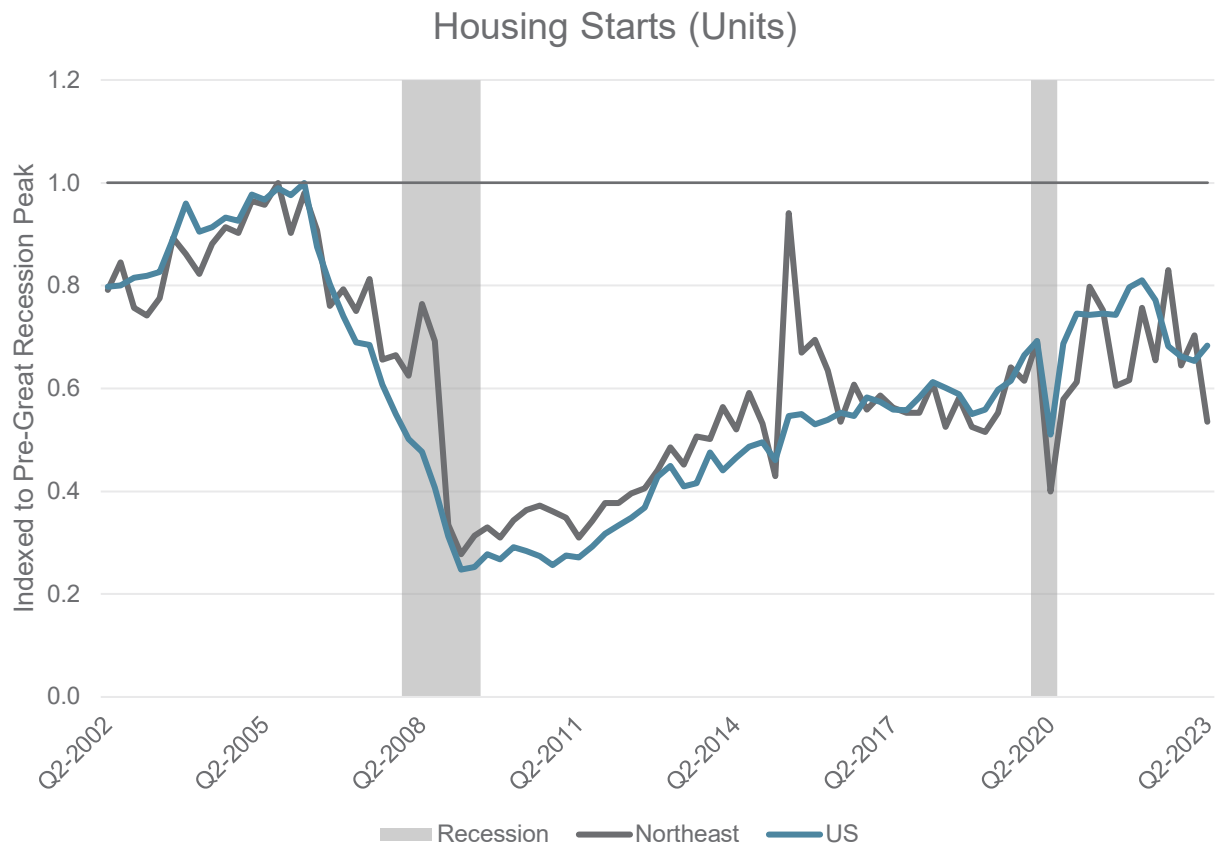
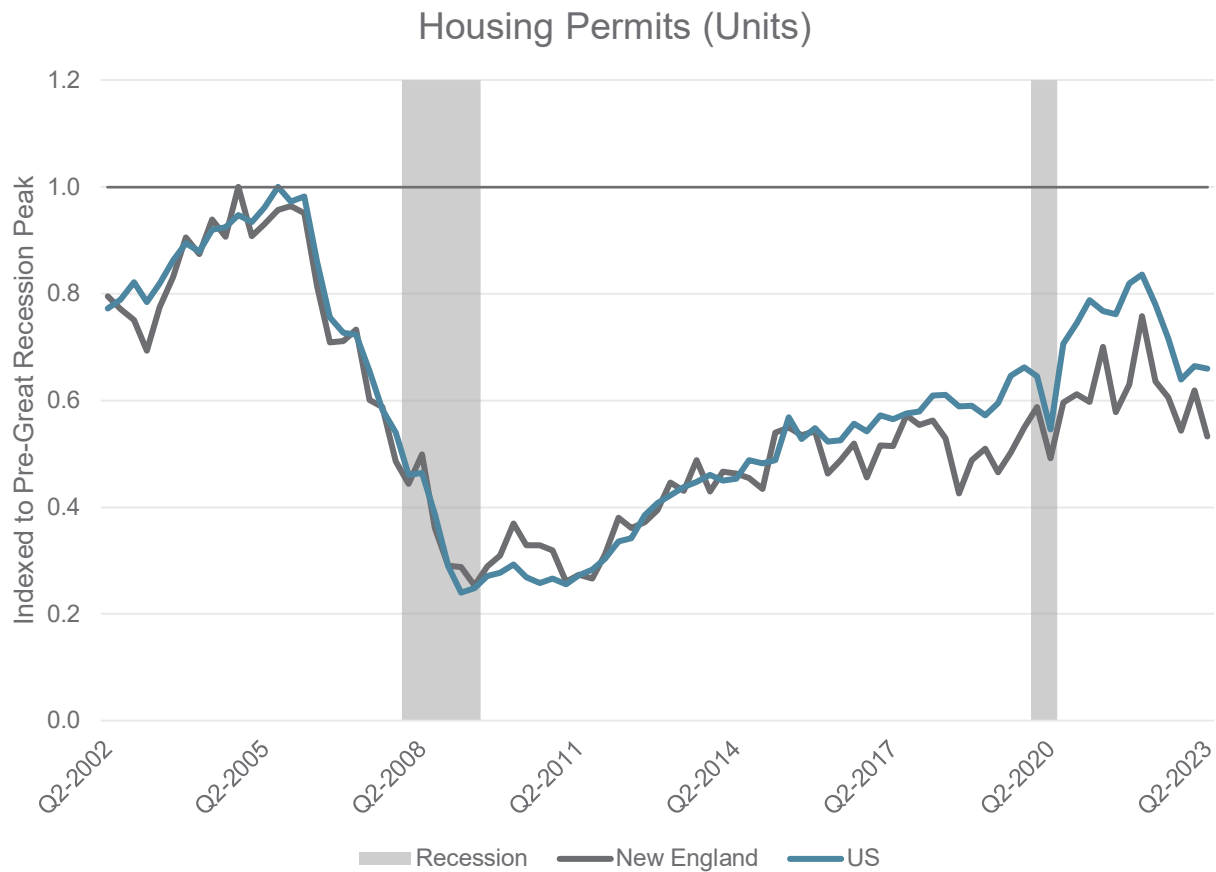
B. Days on Market (SF)



Note: 2019 data for VT only available May-December, so VT indexed data only available May-December.

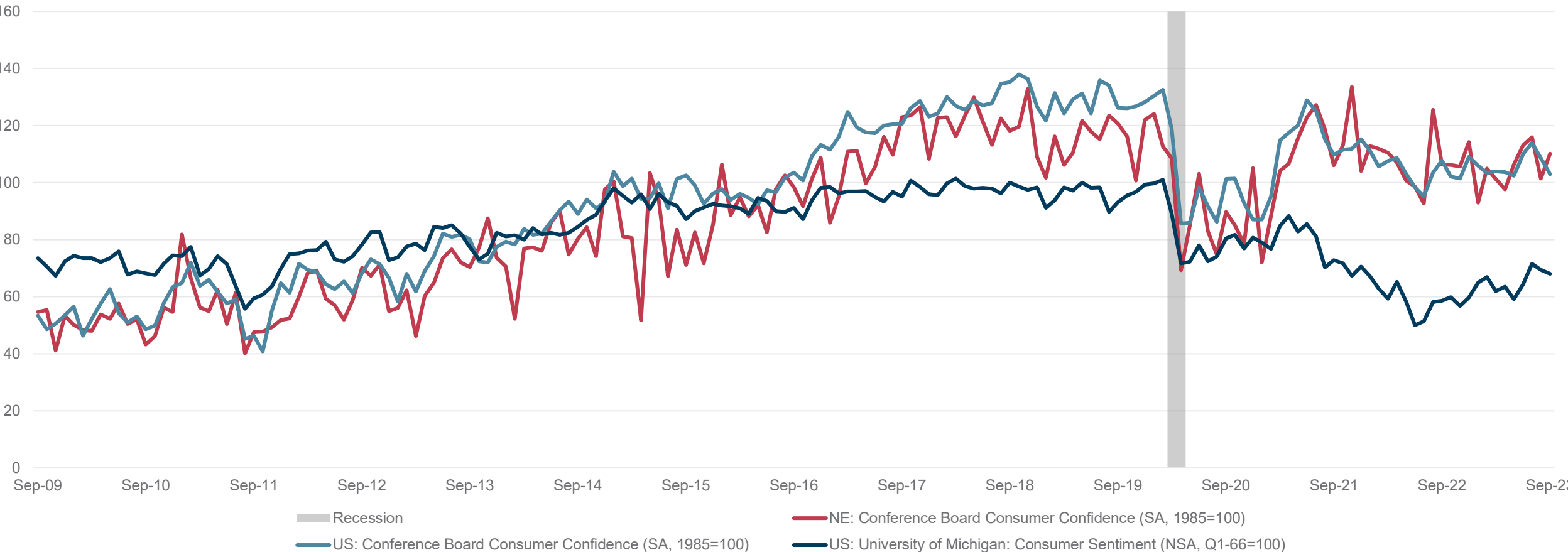
Source: Eastern Connecticut Association of Realtors, Maine Association of Realtors, Massachusetts Association of Realtors, New Hampshire Association of Realtors, Rhode Island Association of Realtors, Vermont Association of Realtors, NBER, Haver Analytics

Housing Production Trending Down Since Early 2022



Permits: seasonally adjusted; Sales and starts: seasonally adjusted at annual rates
Source: Census Bureau, MUFG Union Bank, NBER, Haver Analytics

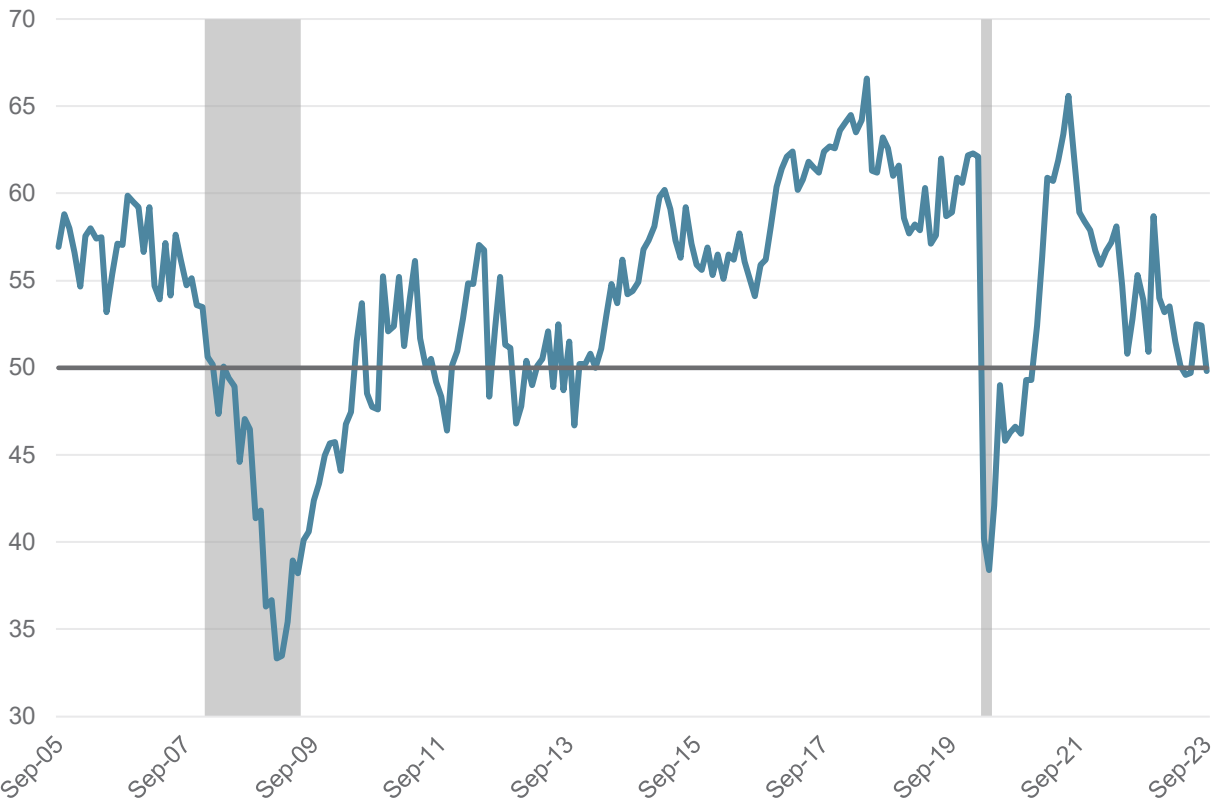
Consumer Confidence Has Remained Strong



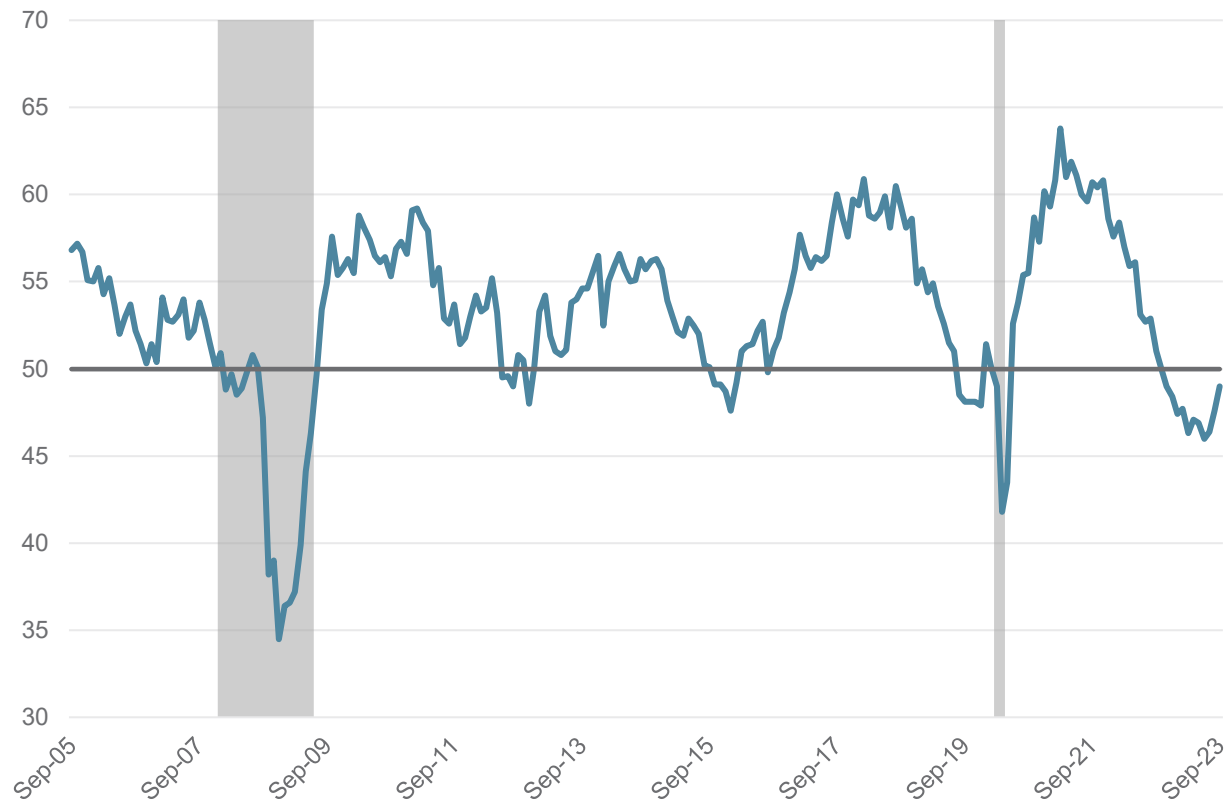
Source: The Conference Board, University of Michigan, NBER, Haver Analytics

Business Confidence is Less Optimistic

Assoc. Industries of MA



ISM



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

Longer Term Challenges for New England

- ▶ Slow Labor Force and Population Growth
- ▶ Housing Affordability

Recap

- ▶ Currently labor markets are tight, making it easy to find work, but difficult to hire;
- ▶ Employment now surpassed pre-pandemic levels; pace of job growth is slowing, but remains above long-run averages;
- ▶ Price pressures dissipating in many sectors, but core PCE inflation not coming down as quickly as CPI;
- ▶ Wage pressures have softened, but consumer price inflation fallen even faster resulting in real wage gains;
- ▶ Consumer confidence remains strong, but business confidence much weaker;
- ▶ Longer-term challenges remain.

Thank you.