



Public Service That Makes a Difference®

New England Economic Conditions

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Federal Reserve Bank of Boston

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Payroll Employment

- In May 2024, New England's employment continued to grow at a year-over-year rate that was lower than the national rate but close to the regional rate before the COVID-19 pandemic.
- The educational- and health-services sector in New England grew more than 3 percent from May 2023 to May 2024, while the information sector lost 3.7 percent of its employment over that one-year period.
- Job openings rates in the region continued trending downward in April 2024, but they were similar to or somewhat higher than the rates for February 2020. Most of the New England states saw an increase in the rate of layoffs and discharges compared with 12 months prior.

Since late 2021, year-over-year employment growth for New England has been trending gradually downward (Exhibit 1). The New England rate dropped from 4.9 percent for December 2021 to 1.0 percent for May 2024. Nevertheless, it was still higher than its 30-year moving average rate of 0.8 percent and was close to the level seen right before the COVID-19 pandemic. Each state in the region posted an increase in employment for May 2024 compared with a year prior. State-level year-over-year employment growth ranged from 0.6 percent for Massachusetts to 1.9 percent for Vermont.

While regional employment growth was slower than national employment growth, that trend is consistent with the historical norm. The regional rate was generally lower than the national rate in the period before the pandemic, as shown in Exhibit 1. New England's 30-year moving average rate is also less than the US 30-year moving average rate. The slower regional employment growth is partly driven by population growth that is slower than the national rate. On balance, New England's employment-to-population ratio is higher than the US ratio by 2.4 percentage points (Exhibit 2). It increased 0.2 percentage point from a year prior, while the national ratio decreased 0.2 percentage point over the same 12-month period.

The educational- and health-services sector led all supersectors in New England with an increase of more than 3 percent from May 2023 to May 2024 (Exhibit 3). The supersector's growth was driven mostly by a 3.7 percent increase in health-care and social-assistance employment, while employment in educational services increased only 0.8 percent during

the same period. On the other end of the spectrum, the information sector lagged the most over that period, with a 3.7 percent loss. This sector has been going through significant downsizing across the region since early 2023. For example, Gannett laid off many journalists working for local newspapers in Brockton, Massachusetts, and Providence, Rhode Island. It also closed nearly 20 weekly newspapers in Massachusetts and consolidated the rest in the state into a small number of digital media outlets.¹

Since 2022, job openings rates have been trending downward both in the region and across the country (Exhibit 4). The United States and each New England state saw a decrease in its openings rate from April 2023 to April 2024. The April 2024 rates were still somewhat higher than the February 2020 rates, except in Vermont, where the latest rate was equal to the pre-pandemic rate.

All the New England states except Massachusetts saw a hike in the layoffs and discharges rate for April 2024 compared with a year earlier (Exhibit 5). By contrast, the United States experienced a slight year-over-year decrease in the layoffs and discharges rate.

Household Employment

- New England's unemployment rate for May 2024 was higher than a year earlier but lower than the national rate for the same month.
- The labor force participation rate for New England increased from a year ago, which likely contributed to the rise in the unemployment rate.

New England and the United States both saw their unemployment rates increase from May 2023 to May 2024, by 0.4 and 0.3 percentage point, respectively (Exhibit 6). The regional unemployment rate remained lower than the national rate. Massachusetts was the only New England state with a lower unemployment rate compared with a year earlier. For May 2024, Vermont and New Hampshire had the third- and fourth-lowest unemployment rates in the country, respectively.² Conversely, Connecticut and Rhode Island were among the states with the 10 highest unemployment rates in the country that month.

Labor force participation in New England improved from 64.2 percent for May 2023 to 64.7 percent for May 2024 (Exhibit 7). This growth likely contributed to the increase in the regional unemployment rate, as more people joined the labor force, but some might not have been able to immediately find a job. Each state in the region saw improvement in labor force participation during that period; however, the US rate dipped 0.1 percentage point.

¹ See Molly Farrar, "Gannett Closing Local Newsrooms in Latest Cost-cutting Measure." *Boston.com*, March 17, 2024. <https://www.boston.com/news/media/2024/03/17/gannett-closing-local-newsrooms-in-latest-cost-cutting-measure/>

² US Bureau of Labor Statistics, Local Area of Unemployment Statistics, <https://www.bls.gov/web/laus/laumstrk.htm> (accessed July 5, 2024).

Real Estate Markets

- Compared with the country as a whole, New England saw stronger year-over-year house-price growth for 2024:Q1.
- The office vacancy rate continued to rise in both downtown and suburban Boston, while office rent has remained relatively flat since 2023.

House prices in the United States continued to grow in 2024:Q1, with all 50 states experiencing a year-over-year appreciation (Exhibit 8). The Federal Housing Finance Agency (FHFA) attributed the house-price growth to a low inventory of houses on the market.³ The New England region saw stronger house-price growth compared with the nation. In fact, Vermont claimed the No. 1 spot nationwide with a year-over-year increase of 12.8 percent.

By contrast, the office market continued to be challenging both in the Boston area and across the country. In Boston and the United States, the downtown and suburban office vacancy rates were higher in 2024:Q1 than they were in 2023:Q4 and in 2023:Q1 (Exhibit 9). However, Boston's downtown and suburban rates remained lower than the corresponding rates for the United States. Rising vacancy rates put downward pressure on office rents. As a result, Boston office rents increased less than 0.7 percent from 2023:Q1 to 2024:Q1, while US office rents grew even slower, at 0.3 percent in suburban markets and 0.5 percent in downtown markets (Exhibit 10).

Inflation

- Boston's overall inflation jumped to 4 percent for May 2024, reversing the downward trend observed for late 2022 and all of 2023.
- Shelter prices in Boston increased 7.7 percent, while prices for fuels and utilities decreased 3.5 percent.

Overall inflation in Boston has been on a trajectory that is different from the path of US inflation since the beginning of 2024 (Exhibit 11). In contrast to the steady decline from September 2022 to January 2024, the year-over-year change in the Consumer Price Index (CPI) for Boston increased from 2 percent for January 2024 to 4 percent for May 2024. The year-over-year growth in the CPI for the United States was relatively stable during the January 2024–May 2024 period. As a result, Boston's overall inflation was 0.7 percent higher than the US rate in May 2024.

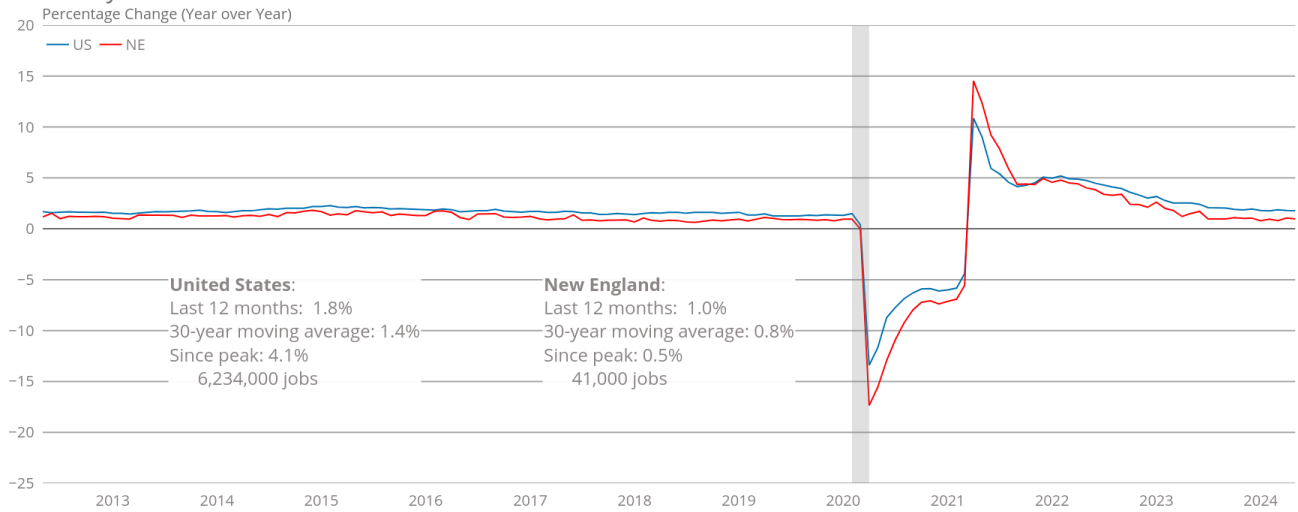
A large year-over-year increase in Boston's shelter prices outweighed a decline in prices for fuels and utilities in the area (Exhibit 12). Shelter prices in Boston increased 7.7 percent on

³ Federal Housing Finance Agency, "U.S. House Prices Rise 6.6 Percent over the Last Year; Up 1.1 Percent from the Fourth Quarter of 2023," news release, May 28, 2024, <https://www.fhfa.gov/news/news-release/u.s.-house-prices-rise-6.6-percent-over-the-last-year-up-1.1-percent-from-the-fourth-quarter-of-2023>.

a year-over-year basis, while prices for fuels and utilities dropped 3.5 percent, driven by a 9.4 percent decrease in electricity prices.⁴

⁴ For information about these subcategories, see US Bureau of Labor Statistics, “Consumer Price Index, Boston-Cambridge-Newton—May 2024,” https://www.bls.gov/regions/northeast/news-release/ConsumerPriceIndex_Boston.htm (accessed July 5, 2024).

EXHIBIT 1:
Employment Growth
to May 2024



Source(s): US Bureau of Labor Statistics/Haver Analytics.

Note(s): Data are seasonally adjusted. Peak values are determined from the years 2019 and 2020; they may differ for each region. First data point after a year label represents January of that year. Gray bar(s) indicates recession(s).

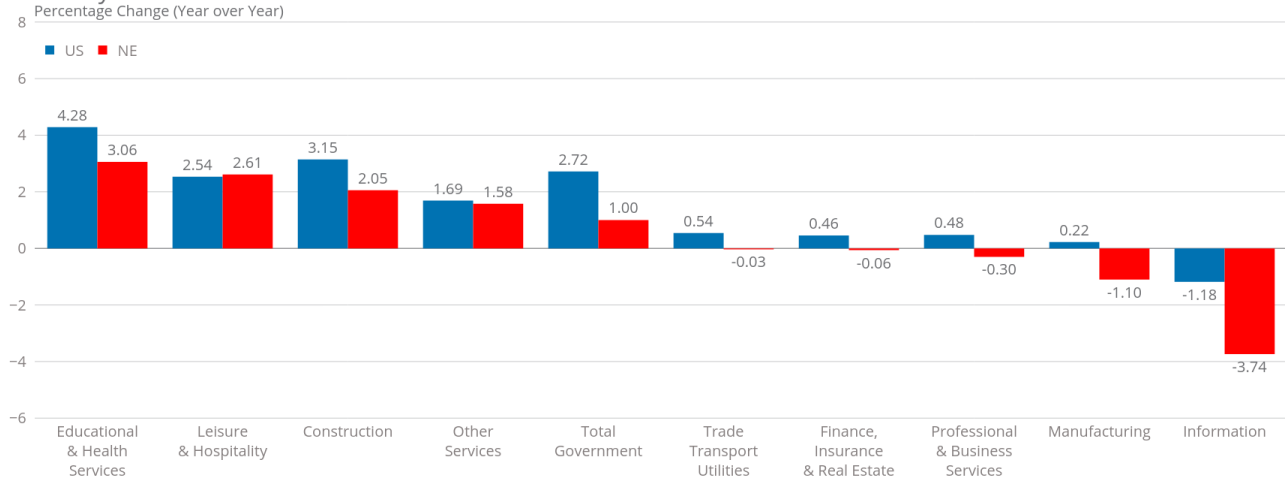
EXHIBIT 2:
Employment-to-population Ratio
to May 2024

	Current Ratio (%)	Percentage-point Difference	
	May 2024	Last 12 Months	Since February 2020
United States	60.1	-0.2	-1.0
New England	62.5	0.2	-1.3
Connecticut	61.9	-0.1	-1.8
Maine	57.7	0.1	-2.3
Massachusetts	63.3	0.3	-1.0
New Hampshire	63.9	0.1	-2.6
Rhode Island	62.2	0.3	0.3
Vermont	64.2	0.7	-0.3

Source(s): US Bureau of Labor Statistics, Haver Analytics

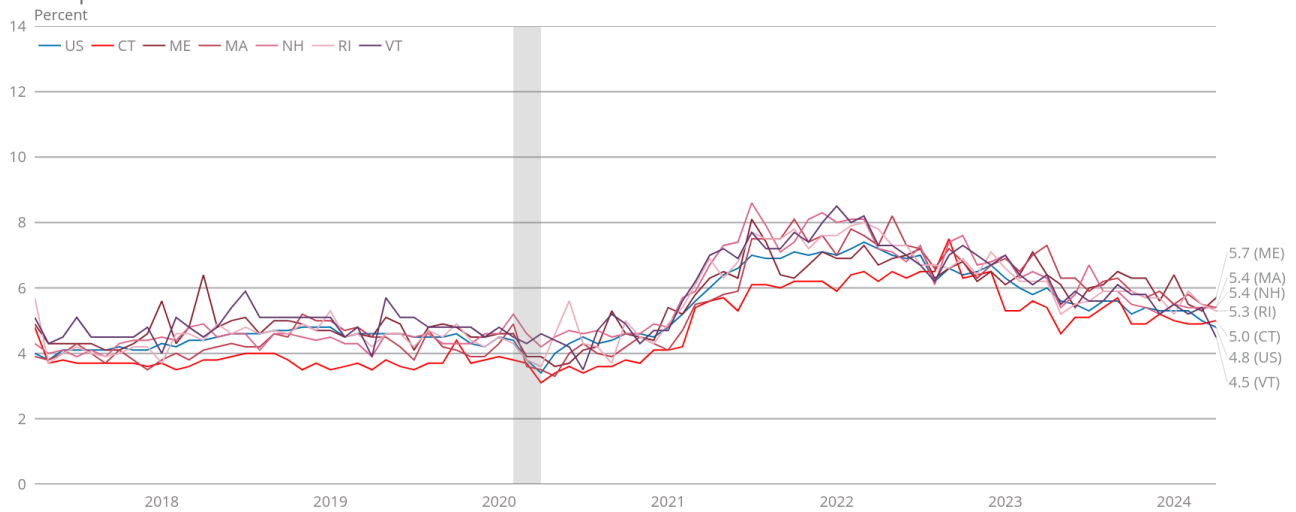
Note(s): Data are seasonally adjusted.

EXHIBIT 3:
Employment Growth by Supersector
 to May 2024



Source(s): US Bureau of Labor Statistics/Haver Analytics.
 Note(s): Data are seasonally adjusted.

EXHIBIT 4:
Job Openings Rate in US and New England States
 to April 2024



Source(s): US Bureau of Labor Statistics/Haver Analytics.
 Note(s): Data are seasonally adjusted. First data point after a year label represents January of that year. Gray bar(s) indicates recession(s).

EXHIBIT 5:

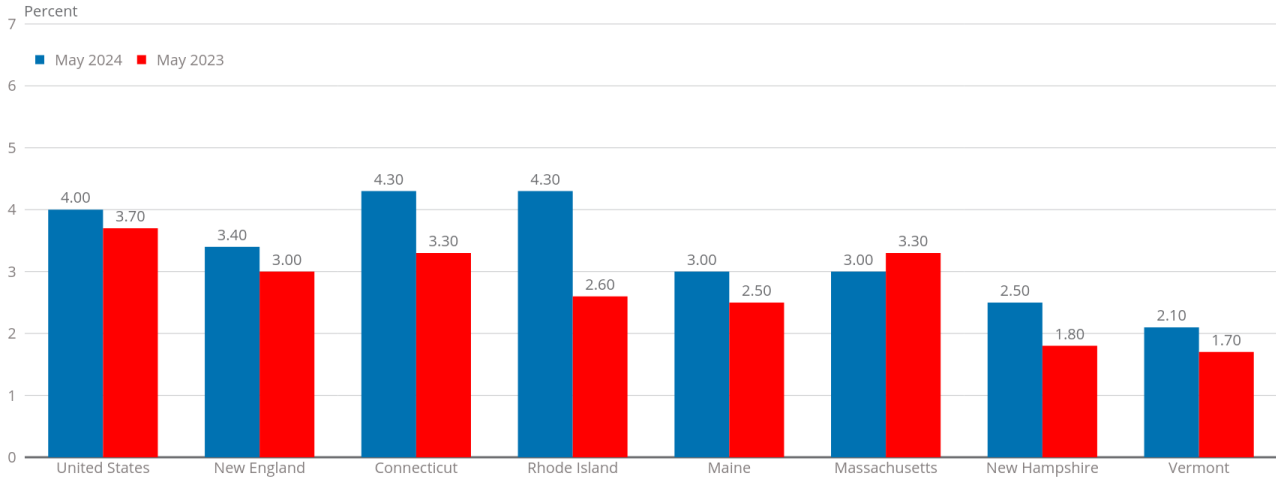
Layoffs and Discharges Rate to April 2024

	Current Rate	1 Year Ago	Percentage-point Difference
	April 2024	April 2023	
United States	1.0%	1.1%	-0.1
Connecticut	1.7%	0.9%	0.8
Maine	1.7%	0.9%	0.8
Massachusetts	0.8%	0.9%	-0.1
New Hampshire	1.6%	1.0%	0.6
Rhode Island	1.8%	1.2%	0.6
Vermont	1.3%	1.0%	0.3

Source(s): US Bureau of Labor Statistics, Haver Analytics
 Note(s): Data are seasonally adjusted.

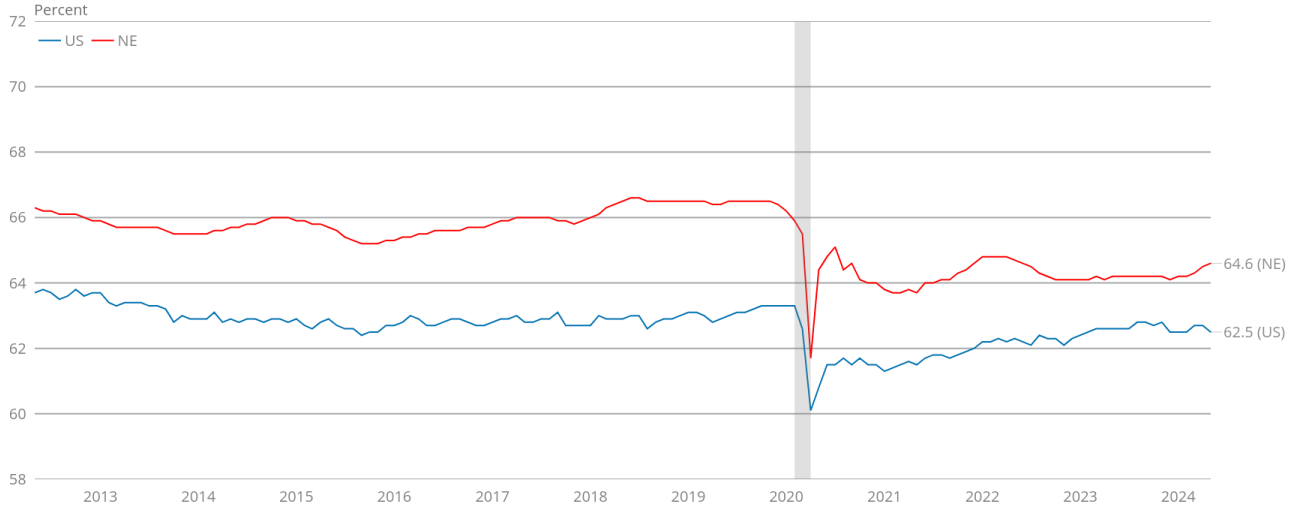
EXHIBIT 6:

Unemployment Rates to May 2024



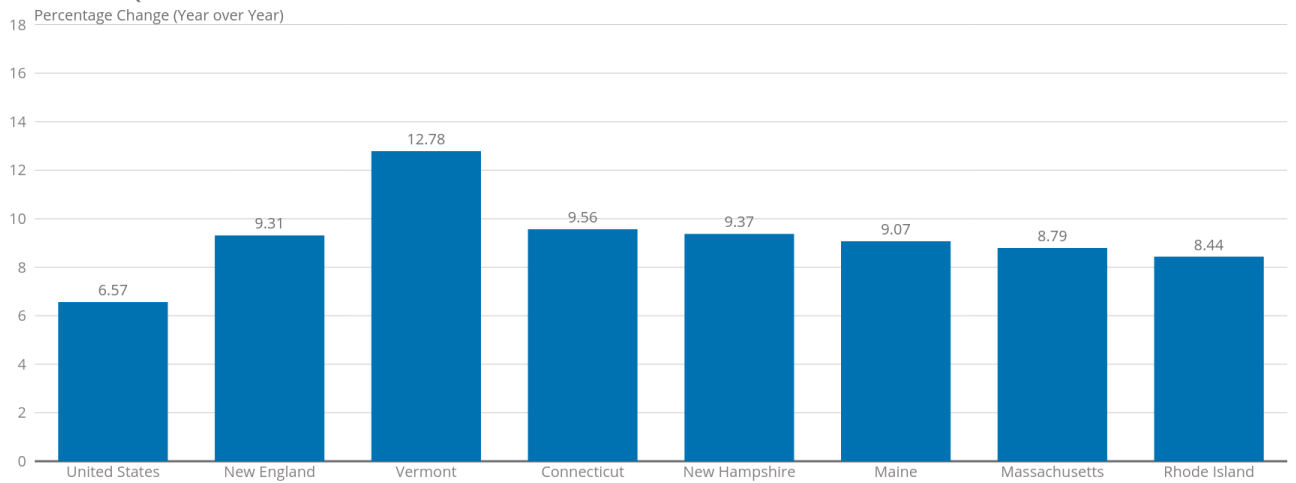
Source(s): US Bureau of Labor Statistics/Haver Analytics.
 Note(s): Data are seasonally adjusted.

EXHIBIT 7:
Labor Force Participation
 to May 2024



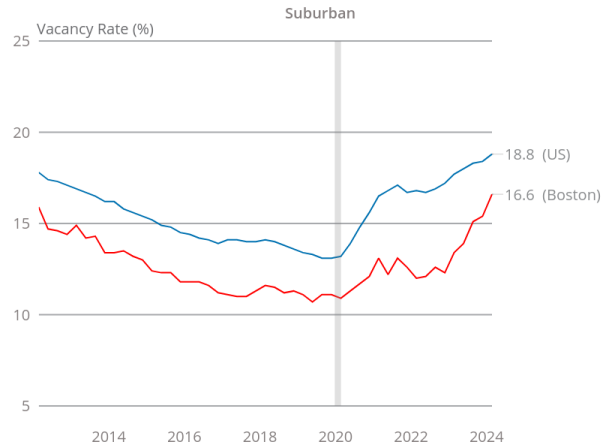
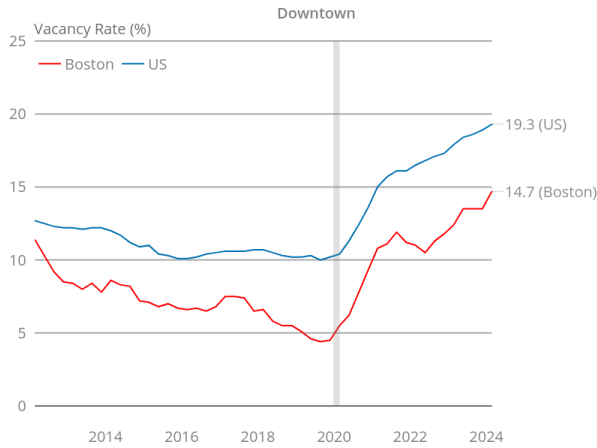
Source(s): US Bureau of Labor Statistics/Haver Analytics.
 Note(s): Data are seasonally adjusted. First data point after a year label represents January of that year. Gray bar(s) indicates recession(s).

EXHIBIT 8:
House Prices (FHFA Purchase-only)
 to 2024:Q1



Source(s): Federal Housing Finance Agency/Haver Analytics

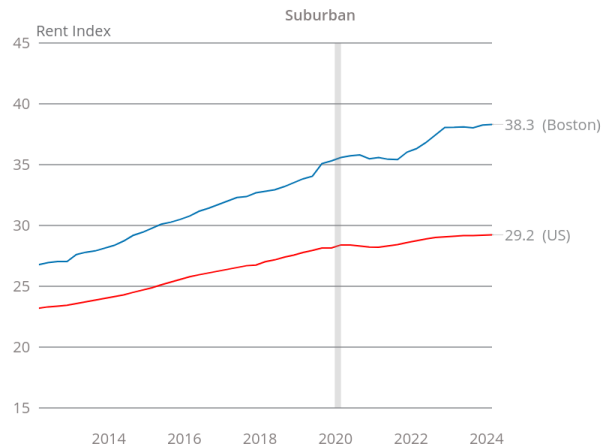
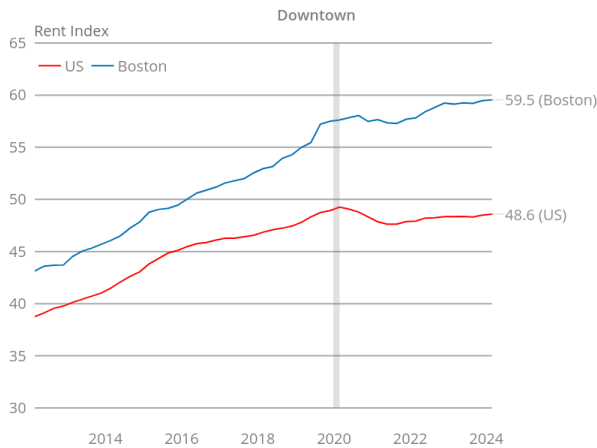
EXHIBIT 9:
Office Vacancies
to March 2024



Source(s): CB Richard Ellis.

Note(s): Office vacancy rate is a percentage representing vacant office space for lease divided by the total square footage of office space. First data point after a year label represents first quarter of that year. Gray bar(s) indicates recession(s).

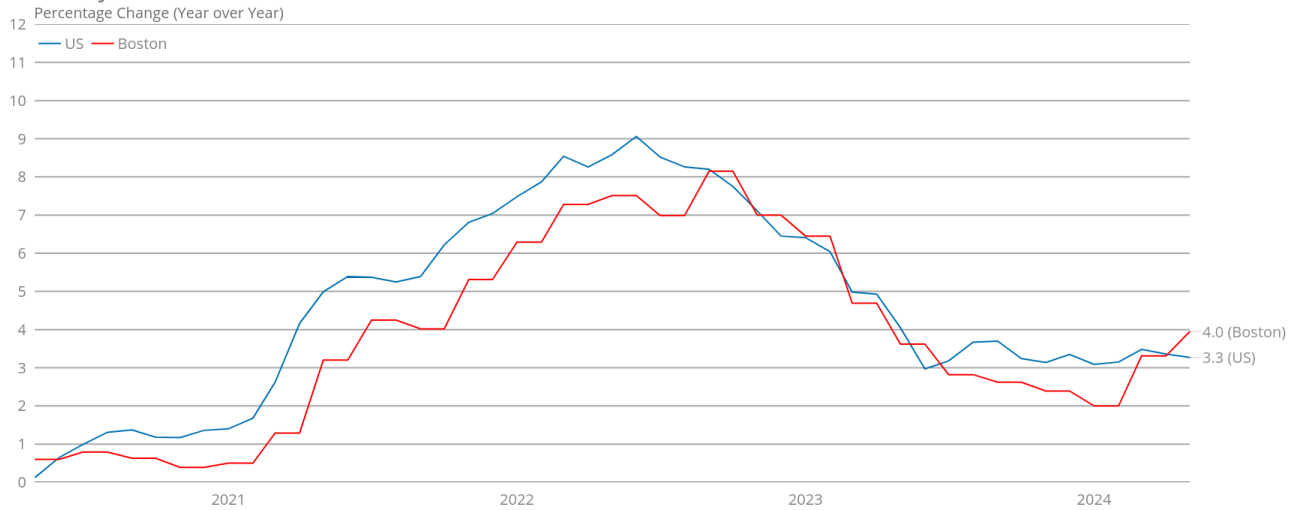
EXHIBIT 10:
Office Rents
to March 2024



Source(s): CB Richard Ellis.

Note(s): Data are compiled from a survey of office-building owners and weighted by the number of square feet available for lease in the submarket with the respective rent type. Data are presented in current dollars and are therefore not adjusted for inflation. First data point after a year label represents first quarter of that year. Gray bar(s) indicates recession(s).

EXHIBIT 11:
Consumer Price Index
 to May 2024



Source(s): US Bureau of Labor Statistics/Haver Analytics.
 Note(s): First data point after a year label represents January of that year. Gray bar(s) indicates recession(s).

EXHIBIT 12:
Percentage Change in Consumer Prices
 to May 2024

	United States		Boston	
	2 Months Ago March 2024	Last Year May 2023	2 Months Ago March 2024	Last Year May 2023
All Items	0.2%	3.3%	0.6%	4.0%
All, Less Food/Energy	0.2%	3.4%	1.0%	4.5%
Shelter	0.4%	5.4%	1.4%	7.7%
Transportation	-0.0%	2.9%	3.3%	2.9%
Medical	0.5%	3.1%	1.4%	2.8%
Food	0.1%	2.1%	-0.4%	2.6%
Education	-0.1%	0.5%	1.0%	1.7%
Recreation	-0.2%	1.3%	0.4%	0.2%
Fuels & Utilities	0.1%	4.6%	-7.7%	-3.5%

Source(s): US Bureau of Labor Statistics/Haver Analytics.
 Note(s): Boston data are released every other month, except for "Shelter," which is released monthly.