

Remarks by Cathy E. Minehan  
at  
New England Council Board of Directors  
November 17, 1994

The New England economy continues to recover. Both the data (shown in the charts I've handed out) and anecdotal evidence paint a picture of steady, moderate growth in the region.

Charts 1 and 2

The New England economy has been steadily improving over the past two-plus years and has recovered approximately one-third of the jobs lost during the recession. The most recent employment data - for September - show a slight one-month decline, but over the past twelve months, New England's job count grew 1.7 percent. In Chart 2, the slope of the U.S. line is steeper - nationally, the number of jobs grew 2.9 percent over the year ended in September - but the (red) New England line shows an unquestionable uptrend notwithstanding several previous dips like September's. (As you all know, employment growth is our basic measure of economic performance at the state and regional level.)

Chart 3

The general uptrend is clearly pervasive across the region, even as some of the New England states perform better than others. All six states have added jobs in the last twelve months, despite September declines in five of the six. Connecticut remains the slowest-growing, having turned up the most recently. Maine and Vermont declined the least during the downturn and are now only about 2-1/2 percent off their pre-recession peak employment levels.

Employment growth is strongest in Massachusetts and New Hampshire, which have run close to the national pace over the last year or two.

#### Chart 4

Unemployment in New England, after staying well above the national rate from 1990 through 1992, has been running at or below the national rate for most of the last two years. The region's jobless rate jumped up to 5.9 percent in October, while the rate in the U.S. declined slightly, from 5.9 to 5.8 percent. (As the (red) zigzags on the chart make clear, the monthly unemployment figures for states and regions are quite volatile.) The October rise in the rate was the result of an increase in the number of people unemployed in New England, accompanied by a drop in the labor force. Despite this volatility, the October unemployment rates for both the U.S. and New England remain below year-earlier figures, and also below the rates in January when the definition and measurement of unemployment was altered by the Census Bureau.

#### Chart 5

Among the New England states, unemployment rates in September ranged from more than one percentage point below the national average (New Hampshire and Vermont) to more than one percentage point above the national average (Maine and Rhode Island). The unemployment rate in Massachusetts, which has been at or below the U.S. rate for most of the year, increased to 6.4 percent in October. Similar to the region as a whole, Massachusetts' unemployment rate rise resulted from a sizable jump in the number of unemployed individuals in October.

### Chart 6

In New England as well as in the U.S., job growth has been concentrated in the services industries, most notably business services and health services. In both the region and the nation, services employment is well above its pre-recession peak. Other sectors which have been expanding in the region are wholesale and retail trade and construction. These three industries - services, trade, and construction - have accounted for virtually all of New England's net job growth over the last year.

We have even seen some hints of employment stabilization in the region's manufacturing sector, which has been losing jobs for a decade. While manufacturing jobs declined in September along with many other industries, total manufacturing employment in New England now stands only 1 percent below the level a year ago, in sharp contrast with average losses of 3.5 percent per year since the most recent manufacturing job peak which occurred ten years ago (in September 1984). Furthermore, manufacturing firms in the region (with whom Boston Fed staff speak periodically for Beige Book) reported improved revenues from a wide range of products when contacted in mid-October.

### Chart 7

Other economic indicators also show the moderate growth of the region's economy. In general, these indicators, like employment, suggest that New England is recovering steadily, although more slowly than the nation.

Consumer confidence of New Englanders rose in October. The last few months have seen slight declines in consumer confidence nationally but gains in New England. By contrast, the most recent data for help-wanted advertising - through September - show declines in New England as well as the nation.

More important, however, both indices have generally been trending upward and show gains from a year earlier regionally and nationally. August retail sales were also above year-earlier levels, and the retailers whom Boston Fed staff contact periodically for the Beige Book were still quite upbeat in October. Cost pressures appear to be moderate in New England, as indicated by smaller growth in manufacturing production worker wages and consumer prices in the region than nationally.

The residential real estate market appears to be slowing in the region. September housing permits were 3.8 percent higher than year-earlier levels (lower right box in chart), but the housing expansion was much more pronounced in the nation. Furthermore, our Beige Book contacts noted decreases in home sales in Massachusetts and Rhode Island in the summer and early fall.

#### Chart 8

Overall, the situation in New England has been improving slowly but steadily over the past two years. The outlook for the region is positive -- generally "more of the same," although the pace of growth is expected to slow somewhat.

The New England Economic Project, a local nonprofit forecasting group, released its twice-yearly economic forecast for the region three weeks ago. NEEP expects continuing growth of employment in New England, with the eventual recovery of all the jobs lost during the recession by the end of 1998, a decade after the losses began. As the chart makes clear, the northern New England states have been and are expected to continue to recover faster than Massachusetts, Rhode Island, and Connecticut. Regionwide, NEEP expects job growth to average 1.8 percent in 1995, tapering off to an average of 1.5

percent in the 1996-98 period.

The mix of recovered jobs will differ considerably from those lost. Manufacturing employment is predicted to continue its steady decline, with the losses concentrated in defense, aerospace, and computers. The strongest employment growth is projected in the services, retail trade, and construction industries. Both health services and business services will grow faster than the rest of the region's economy, but they are expected to slow from their current high rates of expansion.

In summary, despite a recent down-tick in some indicators, the New England economy continues its recovery. While the region's expansion is likely to remain slower than the national pace, moderate growth will persist.

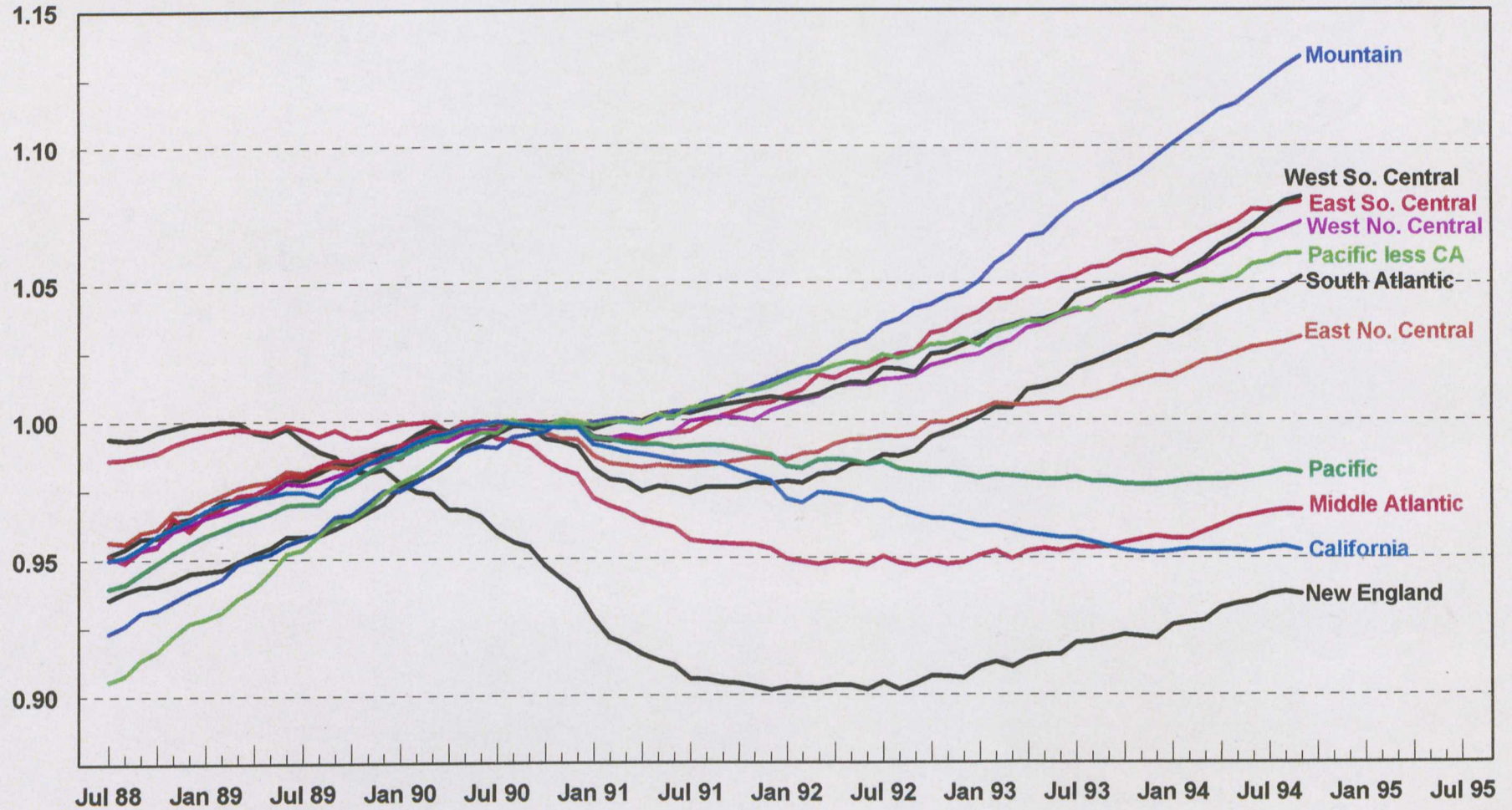
**Selected Charts  
to Accompany Remarks by**

**Cathy E. Minehan**

**November 17, 1994  
The New England Council  
Board of Directors**

**Chart 1**  
**Nonfarm Payroll Employment by Census Region**

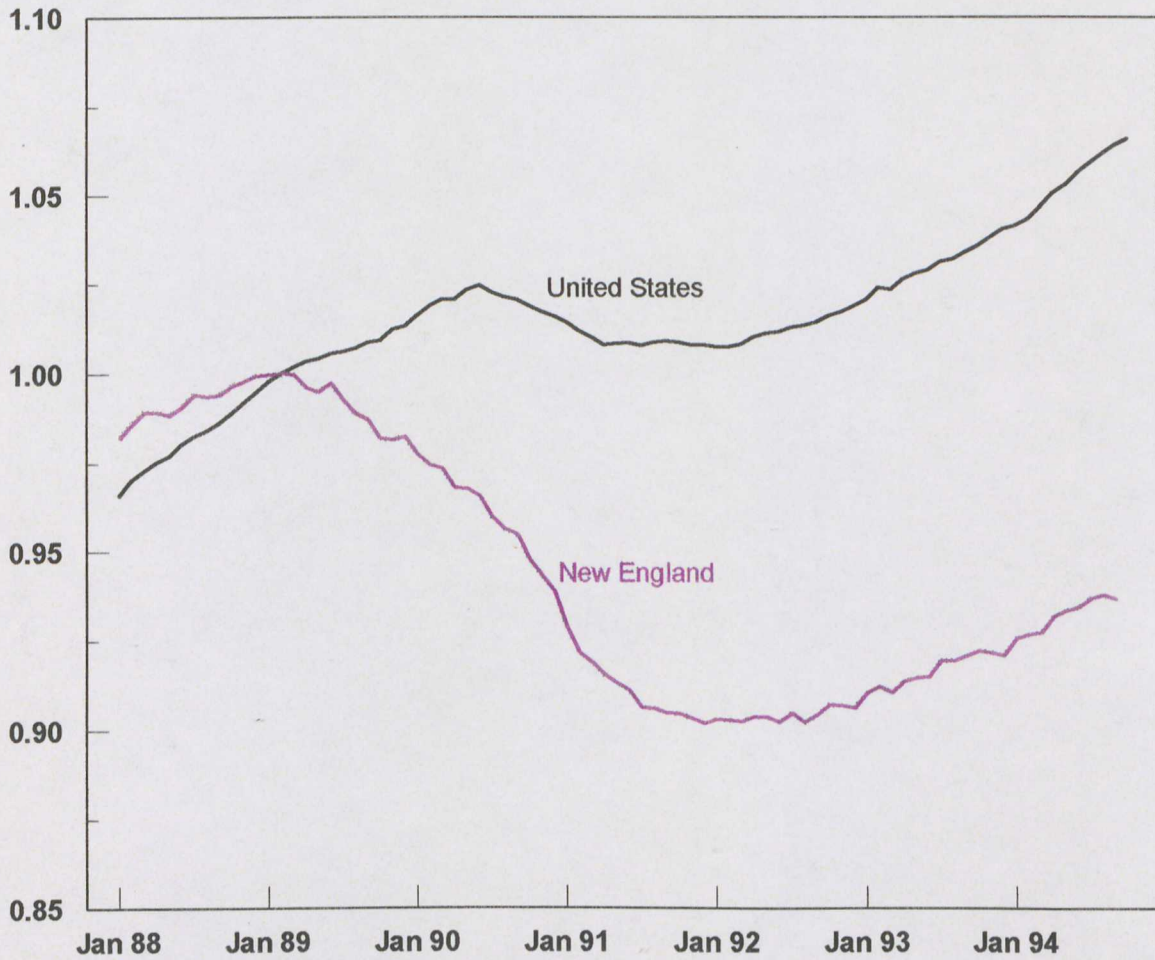
Index, Each Region's Employment Peak = 1



Source: U.S. Bureau of Labor Statistics.

## Chart 2 Nonfarm Payroll Employment

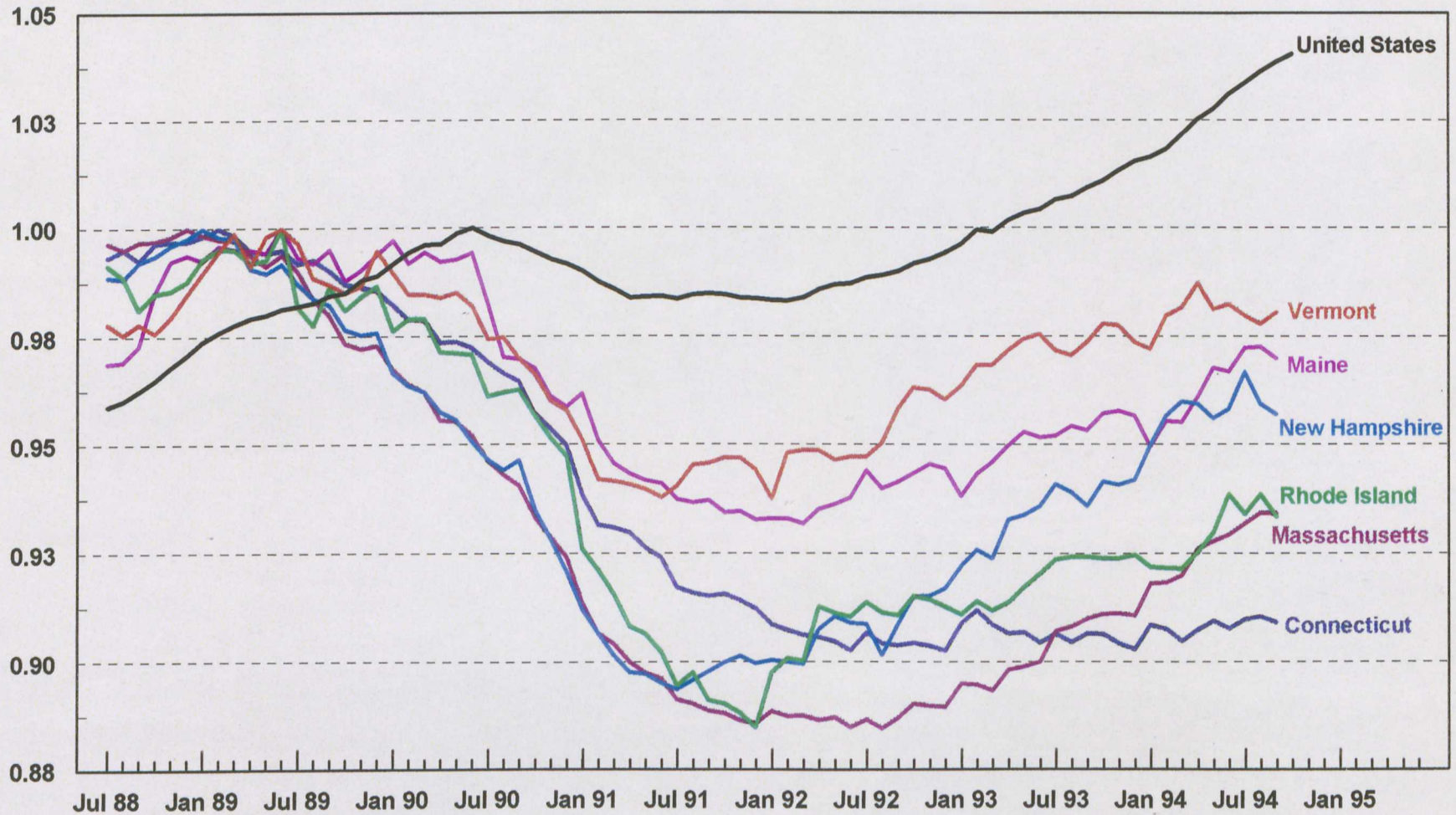
Index, 1989 Q1 = 1



Source: U.S. Bureau of Labor Statistics.

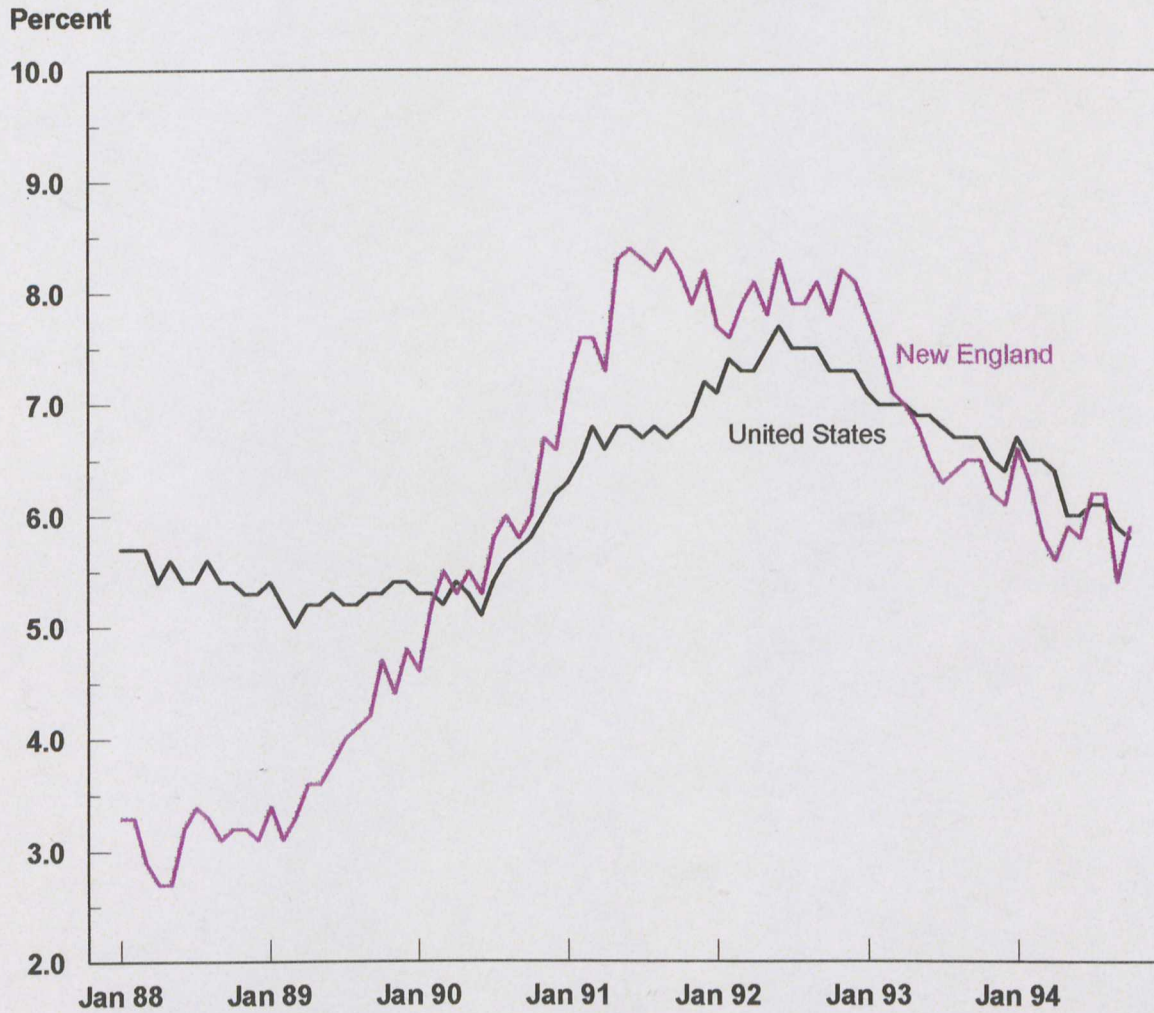
**Chart 3**  
**Nonfarm Payroll Employment in New England and the United States**

Index, Each State's Employment Peak = 1



Source: U.S. Bureau of Labor Statistics.

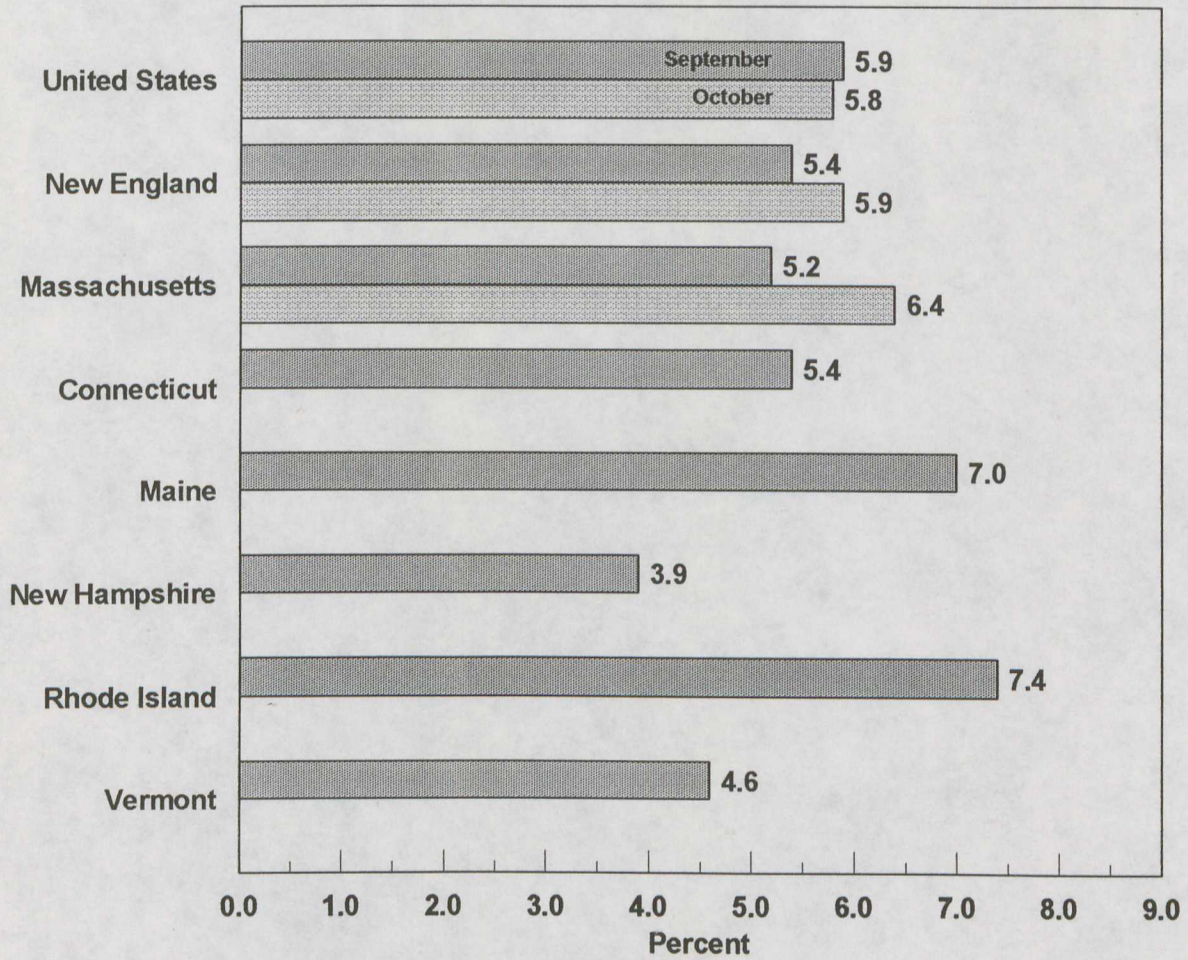
**Chart 4**  
**Unemployment Rate**



Note: Data beginning January 1994 reflect the redesigned CPS survey and are not strictly comparable to data for 1993 and earlier years.

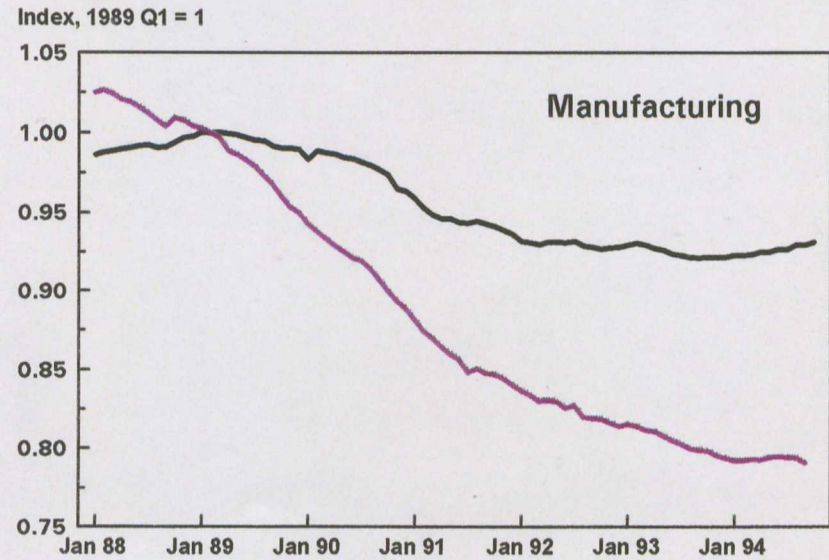
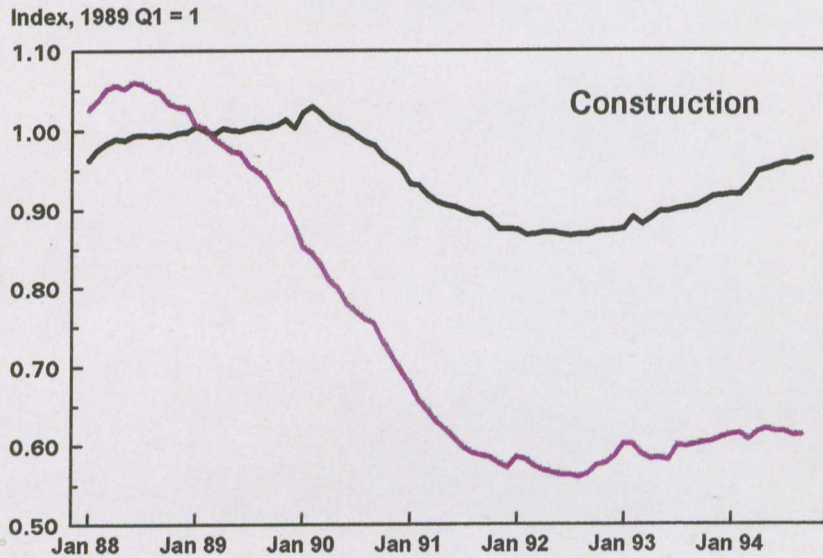
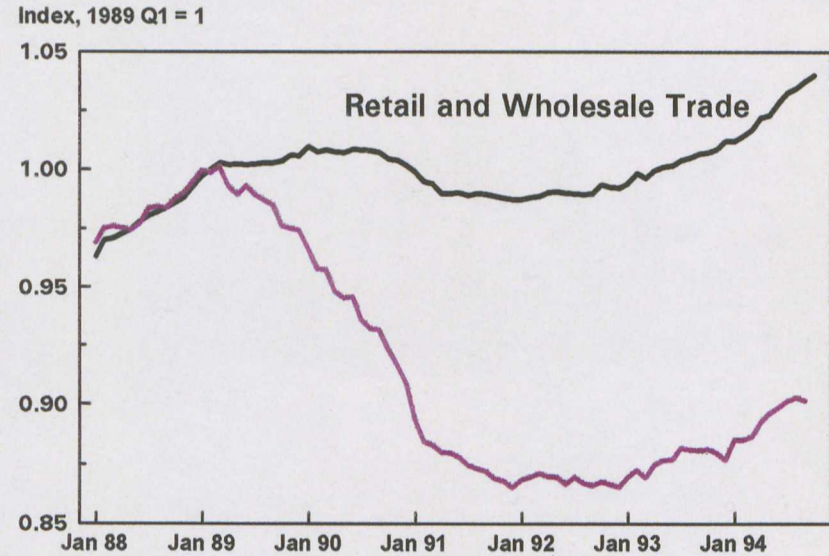
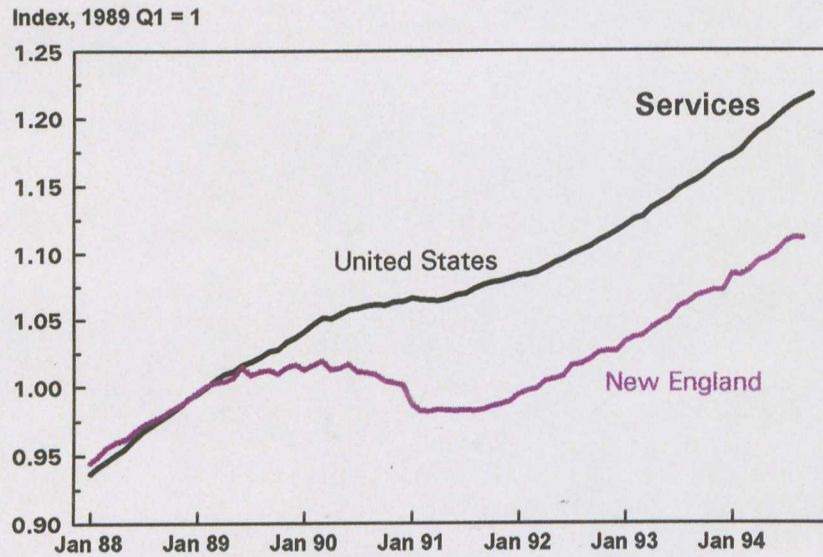
Source: U.S. Bureau of Labor Statistics.

**Chart 5**  
**Unemployment Rates in September and October 1994**  
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics.

## Chart 6 Sources of Employment Growth by Sector



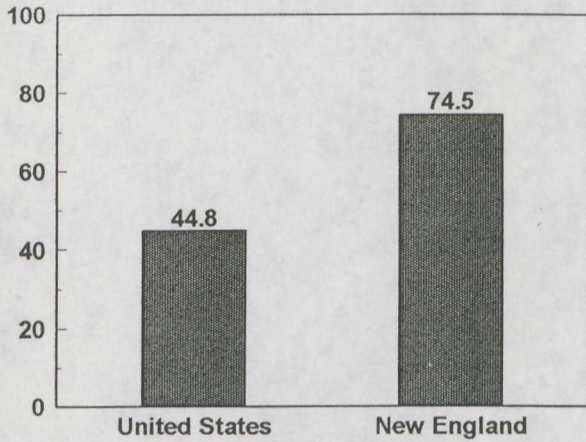
Source: U.S. Bureau of Labor Statistics.

# Chart 7

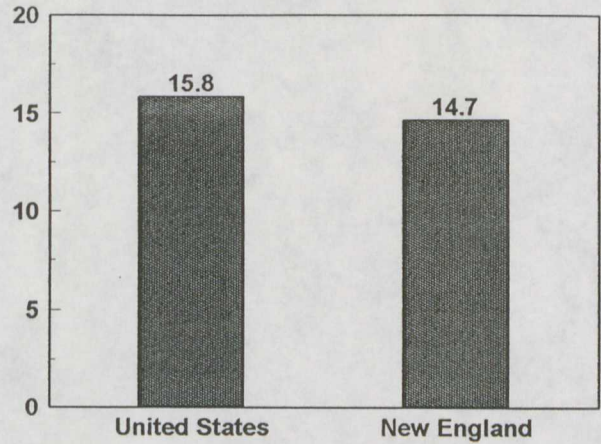
## Current Economic Indicators

Percent Change from Year Earlier

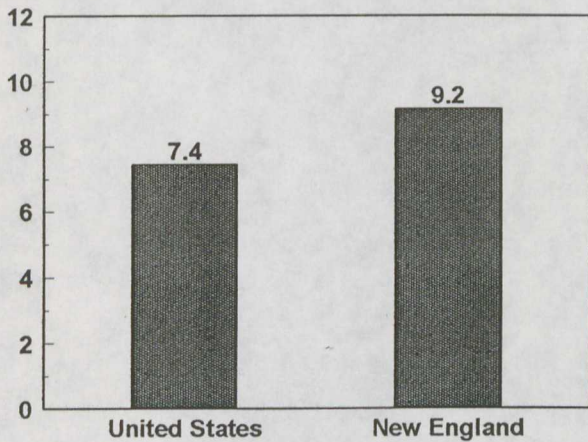
**Consumer Confidence Index**  
October 1993 to October 1994



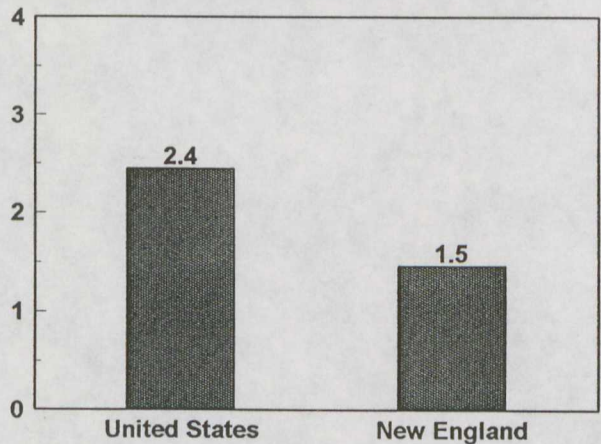
**Help Wanted Advertising Index**  
September 1993 to September 1994



**Retail Sales**  
August 1993 to August 1994



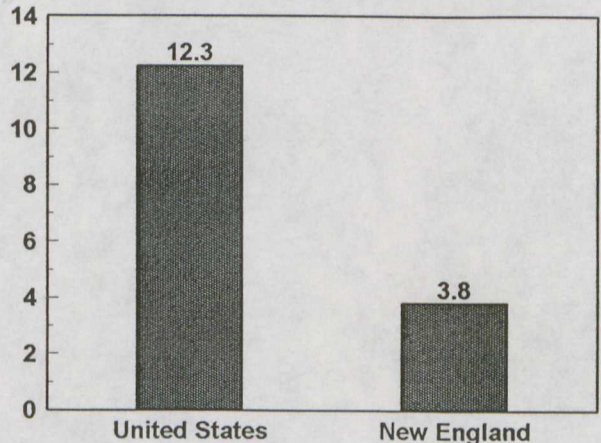
**Average Hourly Earnings**  
September 1993 to September 1994



**Consumer Price Index**  
September 1993 to September 1994



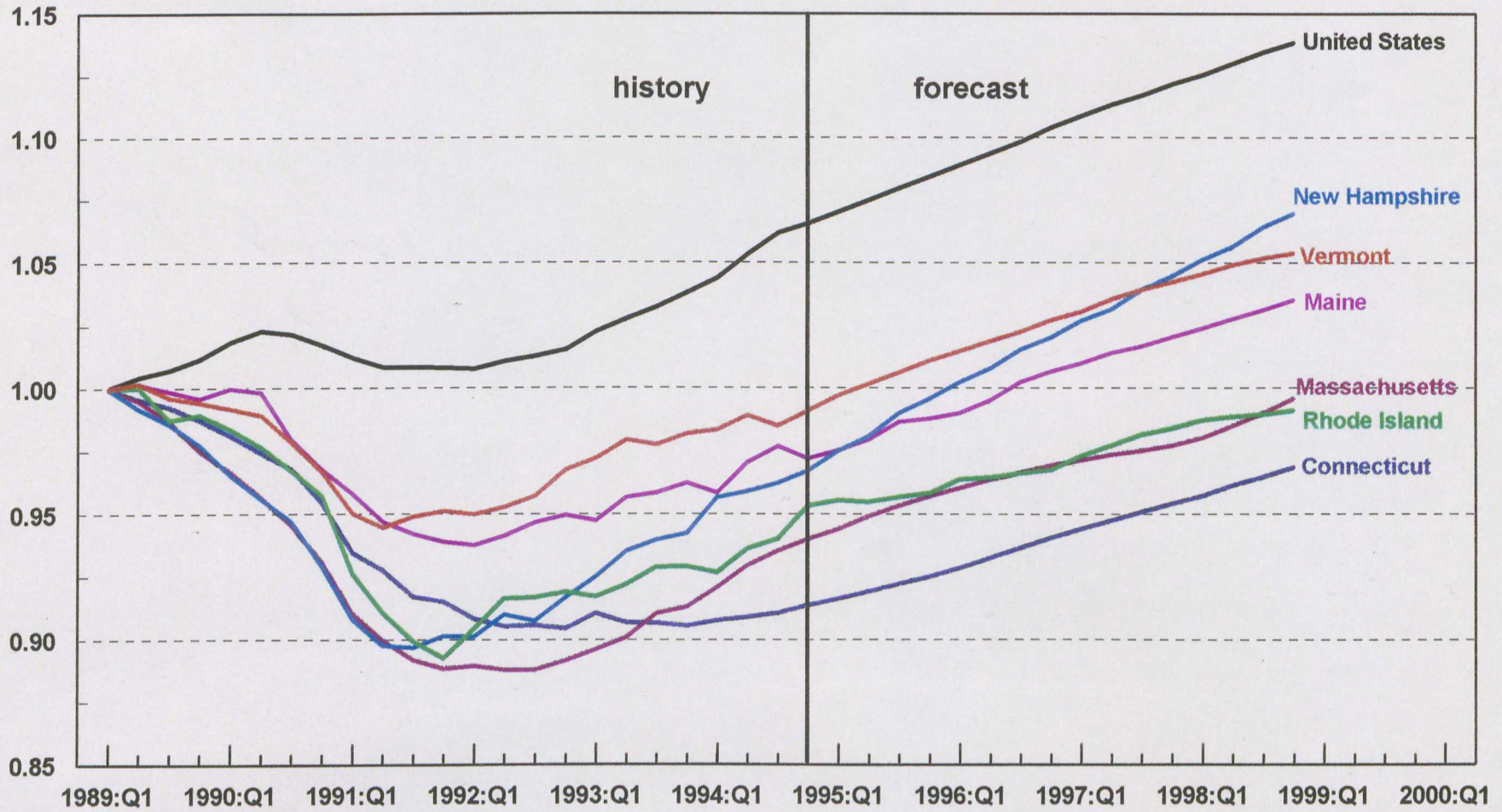
**Housing Permits Authorized**  
September 1993 to September 1994



Source: New England Economic Indicators, Federal Reserve Bank of Boston.

**Chart 8**  
**New England Economic Project Forecast**  
**Employment in New England and the United States**

Index, 1989 Q1 = 1



Source: New England Economic Project and U.S. Bureau of Labor Statistics.