

**Bullets on New England Economy
for Royal Bank of Scotland Directors, 9/27/95**

- The employment and unemployment data show ups and downs in New England in recent months.
 - In July, employment in the region fell for the third time this year and the region's unemployment rate rose; unemployment subsequently declined in August.
 - After July losses, the region's total job count was only 0.8 percent ahead of a year earlier, compared with 2.1 percent employment growth over the year in the nation.

- The general picture continues to be one of slower growth
 - slower in the region than nationally
 - slower in the region and nationally than a year ago.

- Among the states, Rhode Island's performance is most troubling
 - Rhode Island has seen a fairly steady employment downtrend since the beginning of the year, leaving 1.1 percent fewer jobs in July 1995 than a year earlier.
 - Rhode Island's unemployment rate in July was the highest in the region, at 7.2 percent, and has not improved from a year earlier.

- The other New England states:
 - Connecticut fell below its year-earlier employment level in July; Maine and Vermont lost jobs in July but remained above July 1994. New Hampshire's job tally was level in July

- Only Massachusetts showed clear gains in July employment and it has gained more than any other New England state over the year (up 1.6 percent).
- Most New England industries lost jobs in July, but services and wholesale/retail trade were the exceptions
 - Services and trade, along with construction, show the fastest growth in the region over the 12 months ending in July (construction up 3.0 percent, services 2.0 percent, and trade 1.2 percent).
 - By contrast, the finance/insurance/real estate industry is barely ahead of a year ago, and government, transportation/public utilities, and manufacturing are down.
 - Manufacturing job losses in the last year have been concentrated in the region's transportation equipment and instruments industries; instruments jobs have also been cut back nationally.
- Defense cutbacks are certainly part of the reason for continued manufacturing job losses.
 - Not only is New England industry employment more concentrated in defense, but most of the New England states (including especially defense-dependent Connecticut and Massachusetts) registered greater declines in defense-intensive industry employment than the nation as a whole.
- Unemployment declined in August in the nation and New England, to 5.6 percent and 5.4 percent, respectively.

-In July, unemployment rates rose in all six states, but remained below year-earlier levels, except in Rhode Island.

- **Existing home sales declined more in the region than in the nation over the four quarters ending in June, but the second quarter showed a slight improvement.**
- **New housing construction has slowed in the region; housing permits are down in New England but up nationally.**
- **Several measures of business confidence in New England show marked improvements in the summer, although all remain below peaks earlier this year.**
- **Retail sales declined in June in New England and Massachusetts, but remain slightly above year-earlier levels. New England's 0.5 percent rise from June 1994 contrasts with a national gain of 6.3 percent.**
- **Help-wanted advertising in the region gained in June and July and the confidence of New England consumers rose in July and August.**

New England Economic Conditions

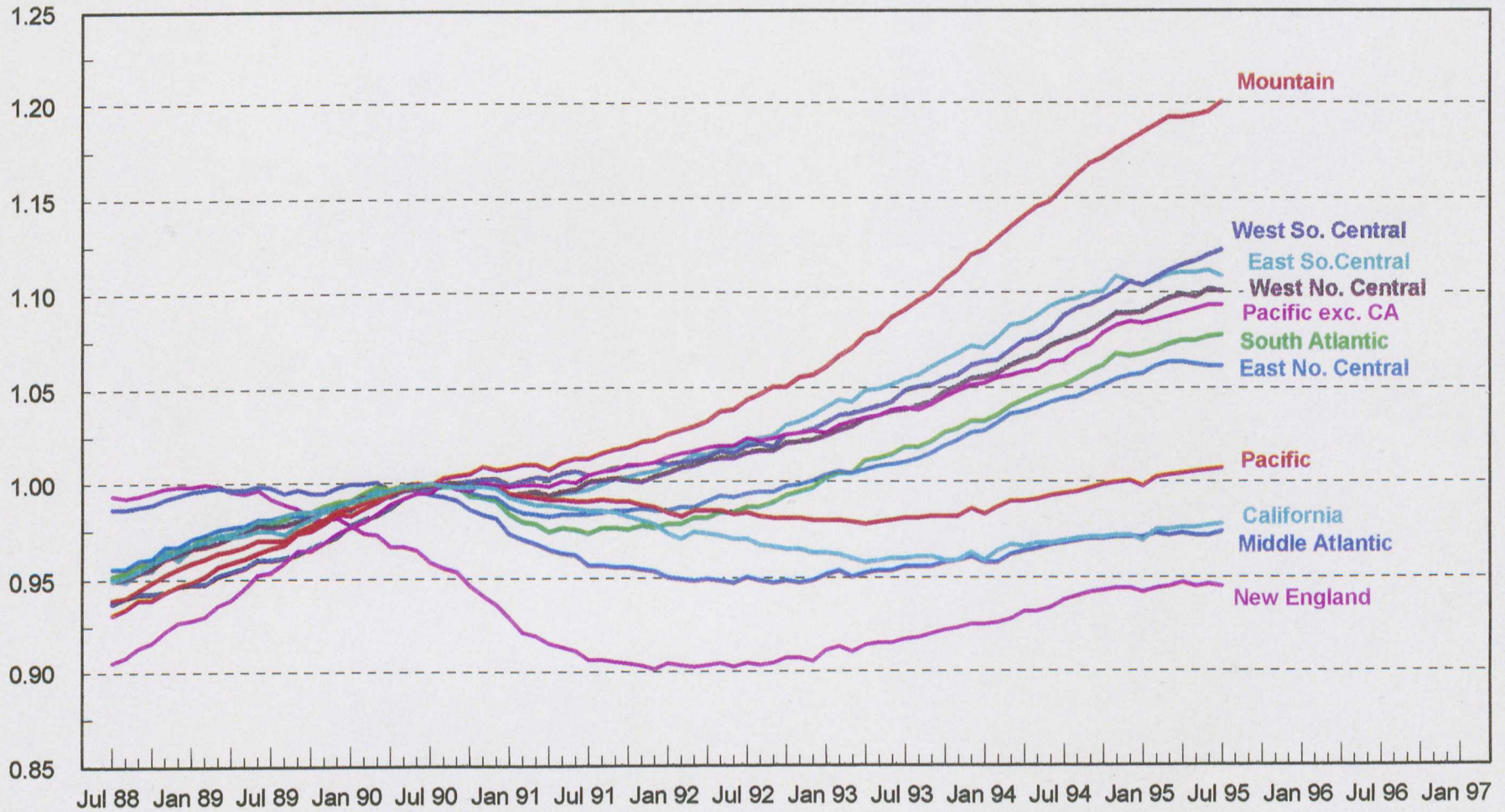
**Prepared by
The Federal Reserve Bank of Boston**

September 27, 1995

Chart 1

Nonfarm Payroll Employment by Census Region

Index, Each Region's Employment Peak = 1

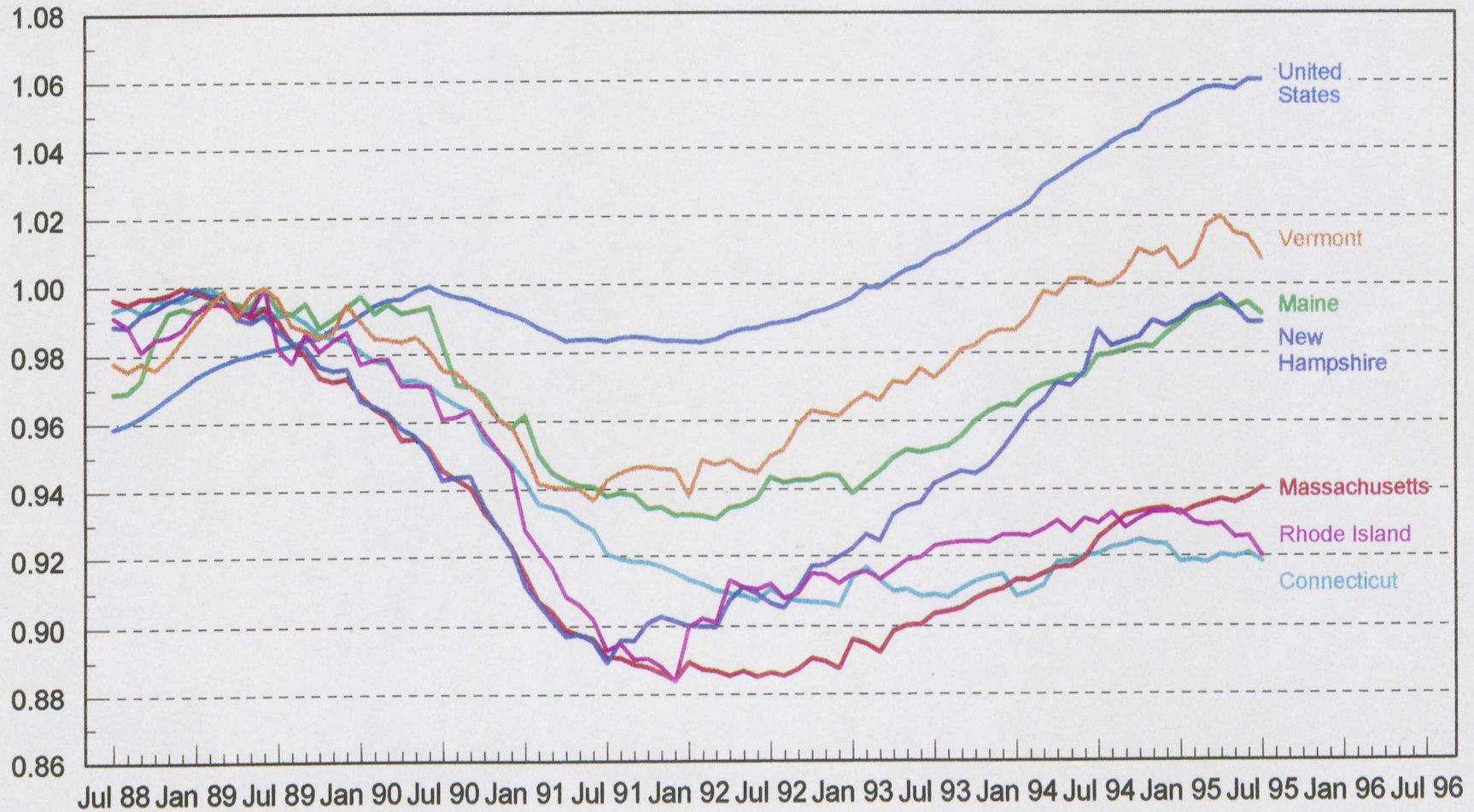


Source: U.S. Bureau of Labor Statistics.

Chart 2

Nonfarm Payroll Employment in New England and the United States

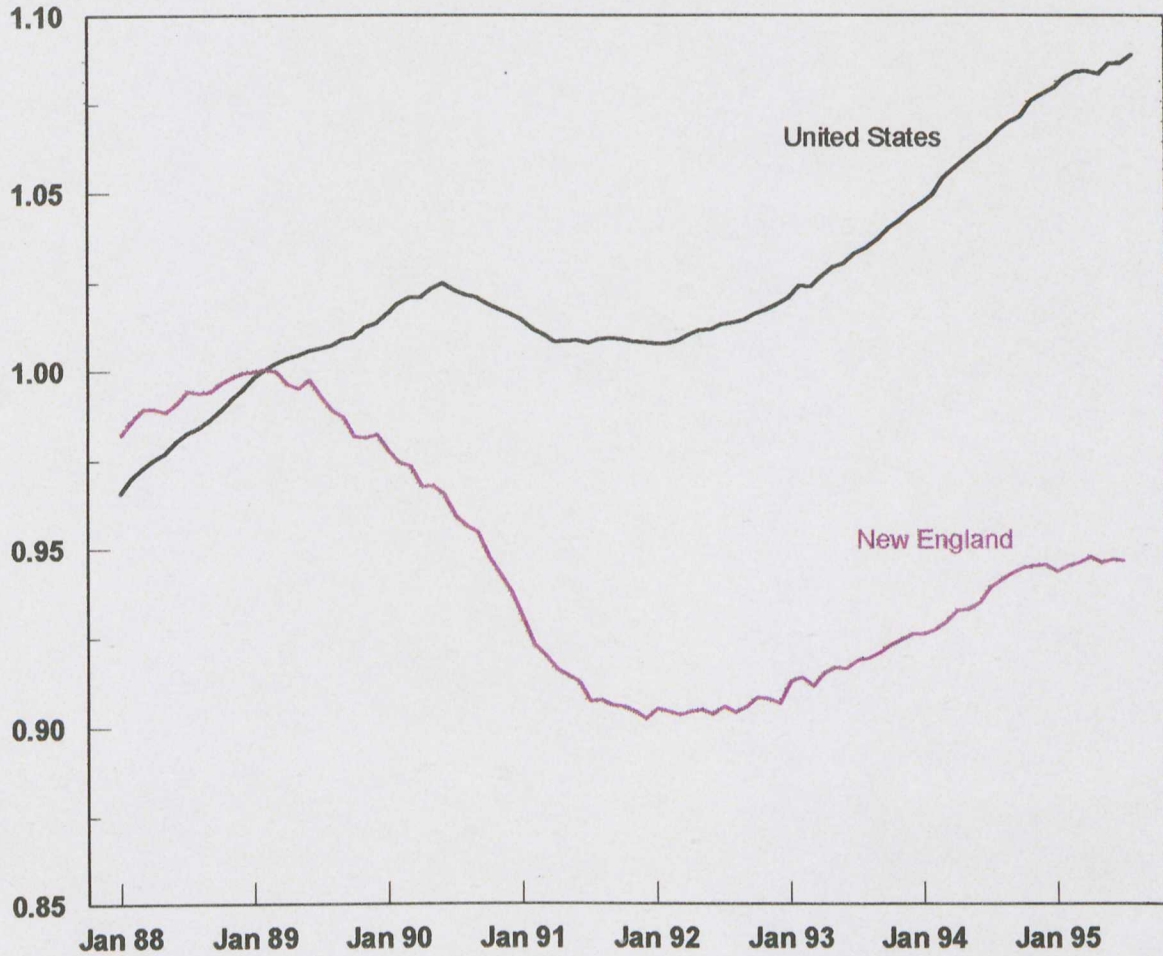
Index, Each State's Employment Peak = 1



Source: U.S. Bureau of Labor Statistics.

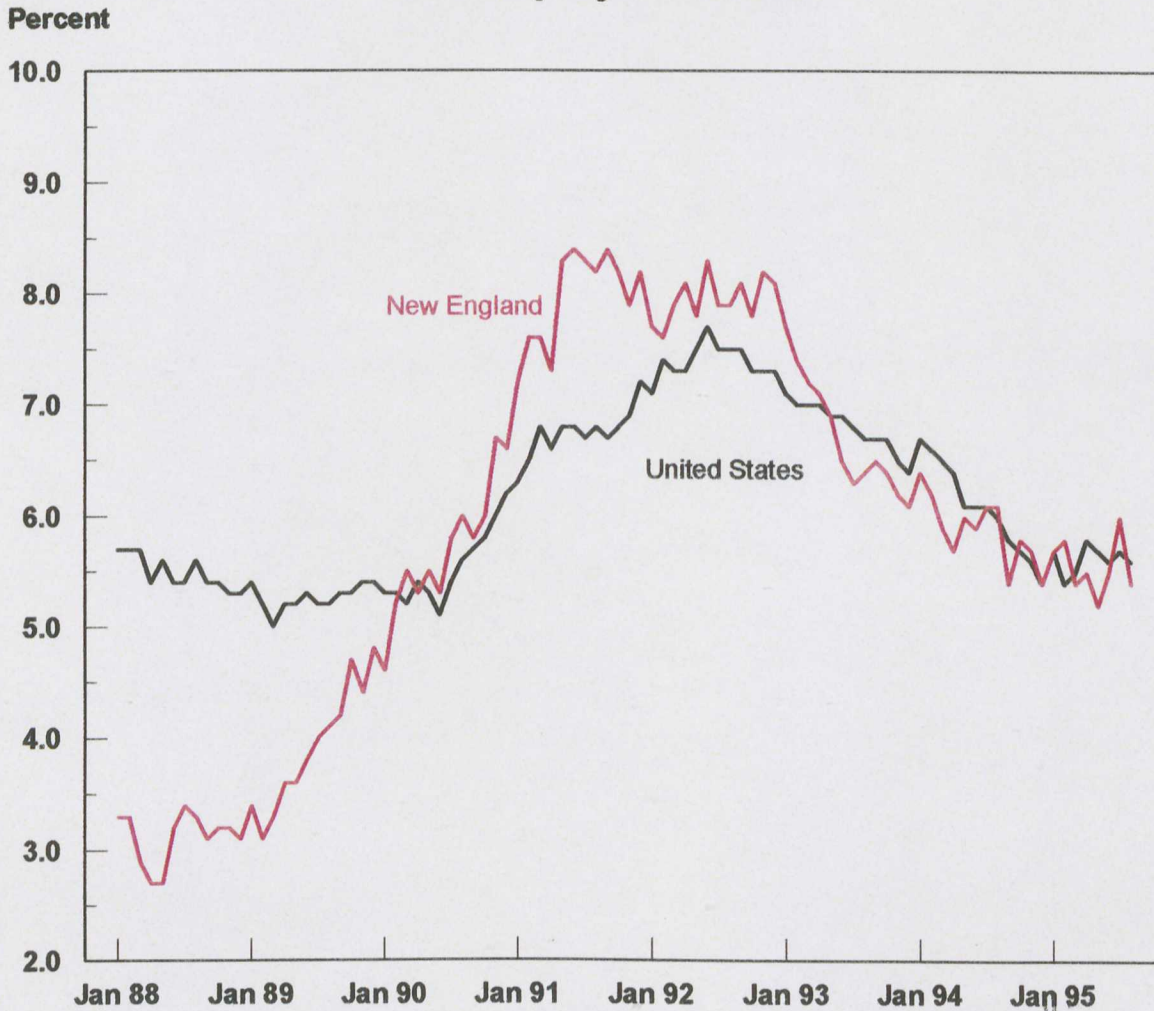
Chart 3 Nonfarm Payroll Employment

Index, 1989 Q1 = 1



Source: U.S. Bureau of Labor Statistics.

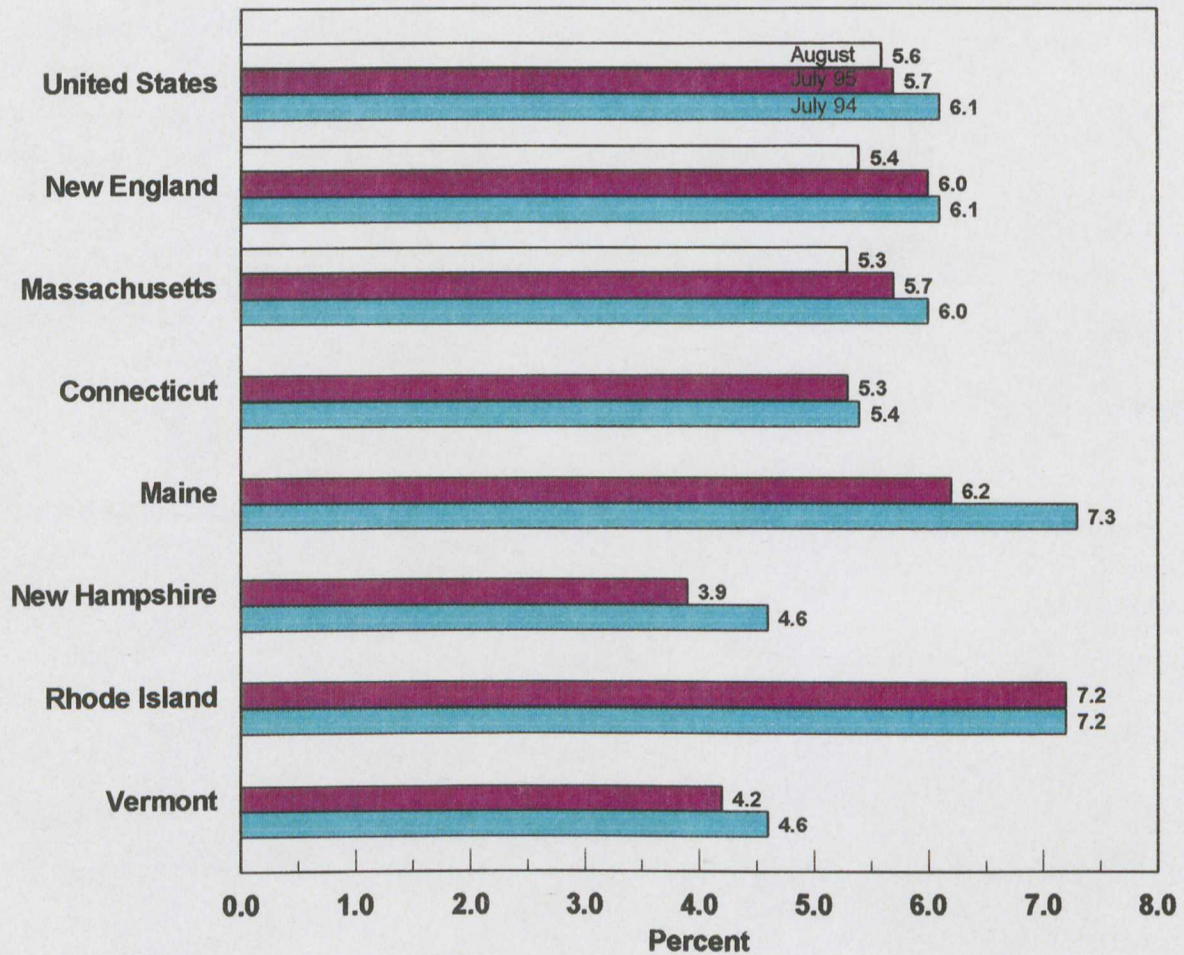
Chart 4 Unemployment Rate



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.

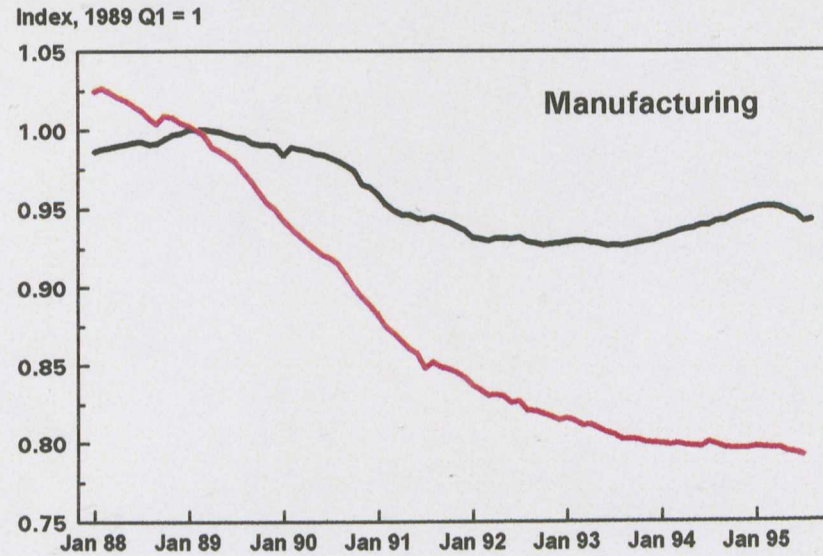
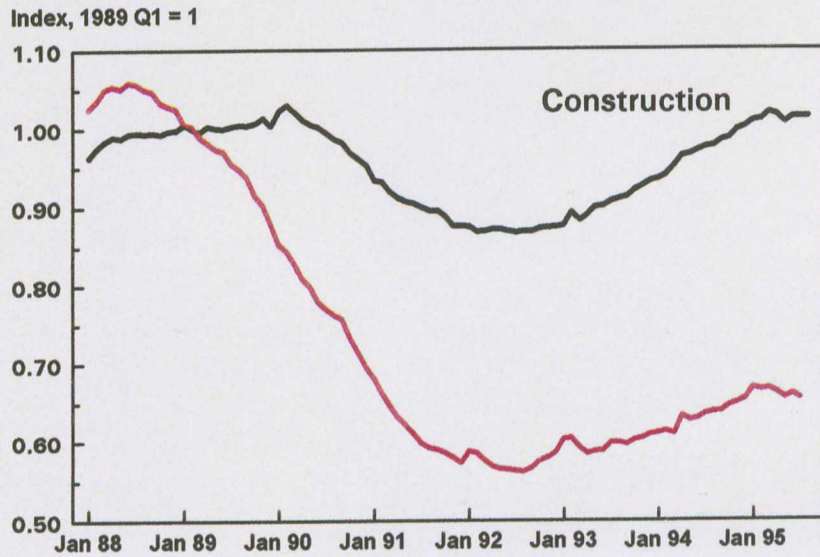
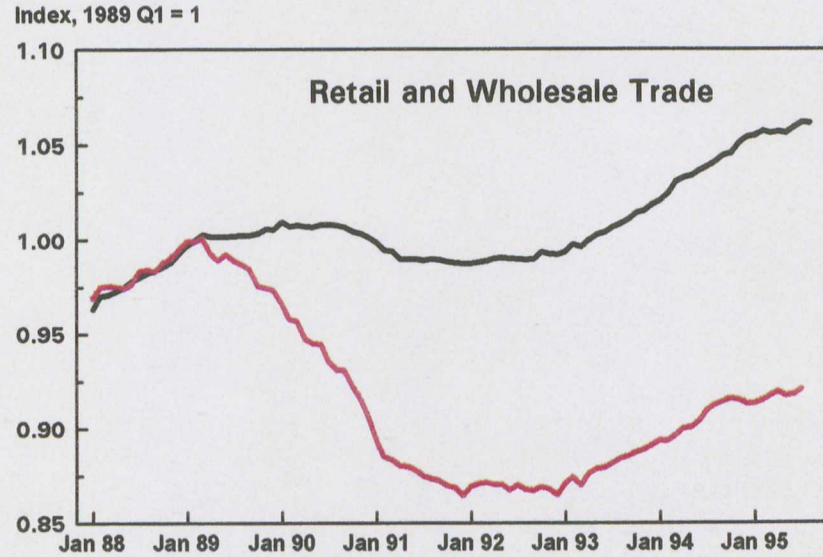
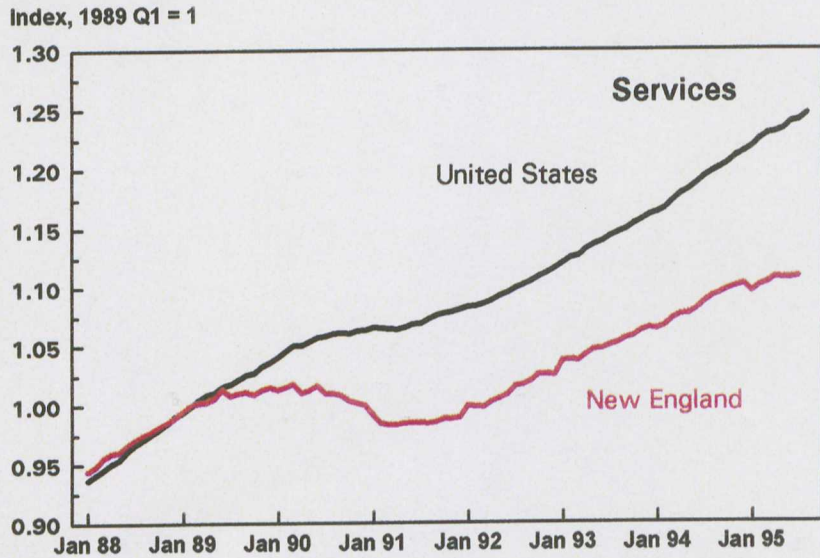
Chart 5
Unemployment Rates in August and July 1995 and July 1994
 Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics.

Chart 6

Sources of Employment Growth by Sector

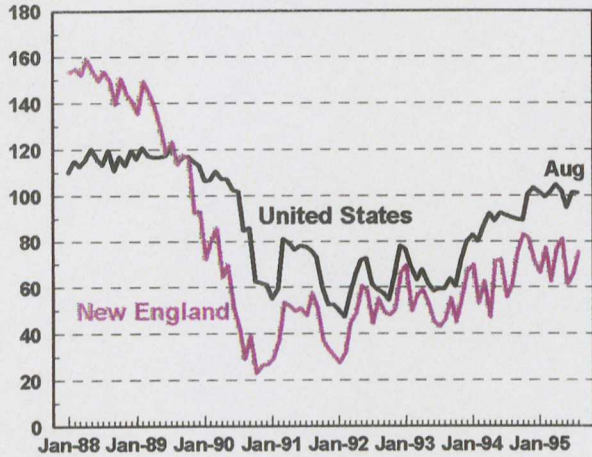


Source: U.S. Bureau of Labor Statistics.

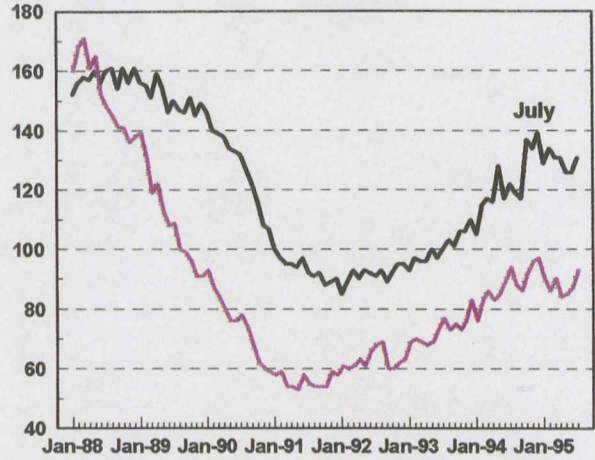
Chart 7

Current Economic Indicators

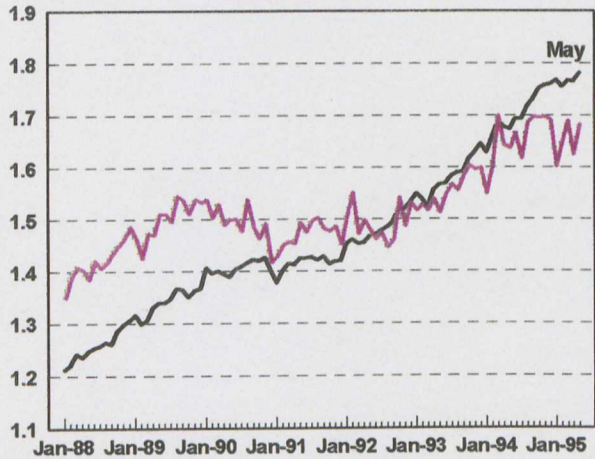
Consumer Confidence
Index 1985 = 100



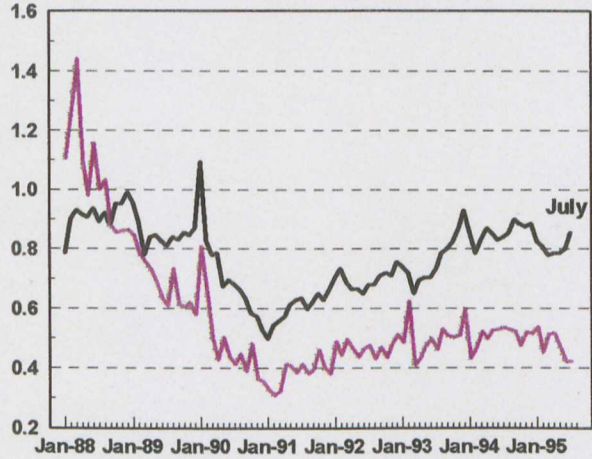
Help Wanted Advertising Index
Index 1967 = 100



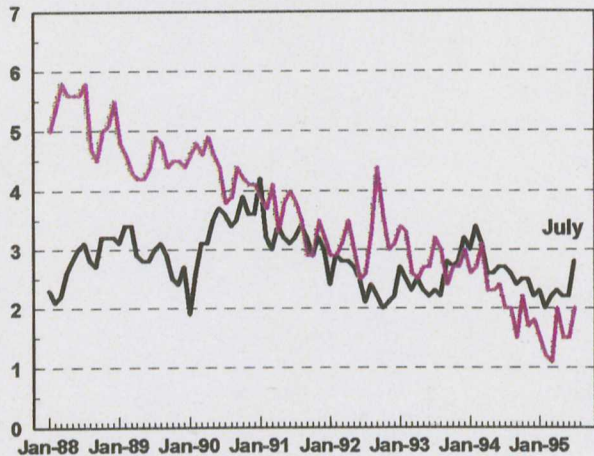
Retail Sales
Index 1984 Q4 = 1



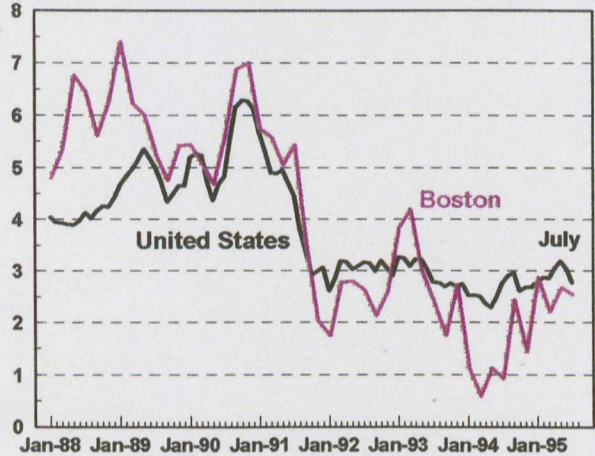
Housing Permits
Index 1984 Q4 = 1



Average Hourly Earnings
Percent Change from Year Earlier



Consumer Price Index
Percent Change from Year Earlier



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