

Economic Overview

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- Start with macroeconomic overview (Fuhrer's directors' talk?)
 - GDP growth in first quarter - 2.8 percent - stronger than expected; special factors such as inventory reductions and GM strike made the figure weaker than it would otherwise have been. That is, underlying growth rate is greater than 2.8 percent, probably around 4 percent.
 - Robust GDP report tempered somewhat by unexpectedly weak employment report for April - total payroll employment grew by only 2,000, with construction and manufacturing registering significant declines. Earlier this year, employment has increased by an average of 166,000 jobs per month.
 - Unemployment declined from 5.6 percent to 5.4 percent in April.
 - Overall, these national data show economic strength, and raise some concern about emerging inflationary pressures.
- The New England economy is almost tracking the national economy in terms of employment. Over the last 12 months, the region has gained about 80,000 jobs, on net.
 - Employment growth in the region is only slightly slower than in the nation. **Chart 1:** Since the recovery began in 1992, the region as a whole has added jobs at a slower pace than the nation. Over the 12 months ending in March, the job count expanded 1.3 percent in New England and 1.5 percent in the nation.
 - Within the region (**Chart 2**), New Hampshire and Vermont have grown the fastest in the recovery; Massachusetts, Rhode Island, and Maine have been bunched in the middle; and Connecticut has lagged behind. [Cathy - FYI - Over the 12 months ending in March, gains from fastest to slowest were as follows: CT 0.5%, ME 0.7%, RI 1.0%, VT 1.3%, MA 1.6%, NH 1.7%.]
 - **Chart 3** takes a longer view, comparing New England's experience in the downturn as well as the recovery with that of other regions. While our recovery has been reasonably good, the depth of the downturn was so great here that we have not yet regained as many jobs as we lost.
 - * Among the other regions, only the Mid-Atlantic states

(New York, New Jersey, Pennsylvania) remain below their pre-recession job peak.

- * At the other extreme, the Mountain states (Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming) were barely affected by the recession and have grown the fastest in the recovery.

- Unemployment remains lower in New England than in the nation (*Chart 4*).

- The nation's jobless rate dropped to 5.4 percent in April; New England's rate dropped at the same time to 4.7 percent.
- Unemployment has been below 5.4 percent in New England for nine straight months.
- Joblessness was below the national average in all six New England states in March (*Chart 5*), ranging from below 4 percent in New Hampshire and Vermont to just over 5 percent (5.1 %) in Connecticut and Rhode Island.

- * The range was wider a year ago, with the lows a little higher (4.2 percent) and the highs much higher and above the national rate (especially Rhode Island at 6.8 percent, also Connecticut at 5.7).

- The apparent inconsistency between New England's slower-than-average employment growth and lower-than-average unemployment is easily explained.

- As they have historically, population and labor force are growing more slowly in New England than in the nation;
- with fewer people in the region available for work, unemployment can drop even as jobs rise only gradually.

- While New England has regained almost two-thirds of the 650,000 jobs lost in the 1989-91 downturn, the mix of the new jobs is quite different from the mix of the lost jobs. *Chart 6* - height of bar is number of jobs lost in the recession or added since the trough in December 1991.

- In the recovery, the bulk of New England job gains have been in services, but a very small fraction of the recession losses were in services. The wholesale and retail trade industry has also added over 100,000 jobs in the recovery.
- Job losses have continued during the recovery in manufacturing, as well as in the finance, insurance, and real estate industry because of ongoing consolidations.

- How do the jobs we're gaining in the recovery stack up against the jobs we continue to lose? One way to judge job quality is to look at wage levels, and **Chart 7** shows the results of a calculation of average wages in the industries that are gaining and losing jobs in the nation, New England, and Massachusetts.
 - The first column indicates that the average job in New England (and Massachusetts) pays higher wages than the average U.S. job.
 - But the average wage of a representative new job is below the average wage of the typical lost job. This is the case whether one compares all expanding and contracting industries (columns 2 and 3) or expanding and contracting business services industries (columns 4 and 5).
 - Nonetheless (the good news), the average quality of jobs being added in Massachusetts exceeds the quality of the average existing job.
 - And in both New England and Massachusetts, jobs in expanding business services industries (next-to-last column) are higher quality than the average existing job. This higher pay reflects the fact that a bigger fraction of the new jobs is in high-paying software locally than is the case nationally, rather than in low-paying "help supply" - the temp industry.
- The industry patterns of job loss and gain summarized in Chart 6 are also shown in **Chart 8**, which compares the pace of New England's employment growth by industry with national growth since the trough.
 - Manufacturing (upper left) and finance-insurance-real estate (bottom center) stand out: growth has been noticeably slower in New England than in the nation.
 - * With respect to manufacturing, however, it is worth noting that the region has lost jobs less steeply than the nation over the past 12 months; earlier in the recovery, manufacturing jobs were expanding nationally.
 - In the other industries shown, New England's recovery growth path tracks the nation's.
- **Chart 9** shows a number of other economic indicators for the region. Most, like the employment data, suggest that

activity in the region is somewhat slower than in the nation.

- Consumer confidence (upper left) has been barely holding its own nationally over the last year or so and has declined in New England.
 - Help-wanted advertising (upper right) - a good indicator of business hiring plans - is also level with a year ago for the nation and down in New England, with the decline concentrated in the first few months of this year.
 - Retail sales have shown fairly steady gains in the nation and less forward momentum locally, until early this year when the New England figure jumped up.
 - Housing activity has been subdued in New England. Housing permits have moved very little in the region since coming down from boom levels early in the recession, while nationwide permits have been rising gradually.
 - Wages and prices are rising and the rates of increase are picking up a bit in New England after a couple of years of running below the national pace (two lower panels).
- Overall, the New England economy is reasonably healthy. Economic growth, while slower than in the nation, is roughly on par with the region's long-term history, and residents' incomes continue to expand at a moderate pace.