

New Hampshire ECONOMIC CONDITIONS

Portsmouth After Snowfall PHOTO CREDIT (Sam from New England Wanderlust)

Skiing PHOTO CREDIT (Tim Walker)

Diamond Ridge, Pittsburh, NH PHOTO CREDIT (Deborah Loomis)

January 2024

Ice Castles, Lincoln NH PHOTO CREDIT (Management / TripAdvisor)

Recent Inflation Trends

In a statement following the December 2023 Federal Open Market Committee (FOMC) meeting, the Federal Reserve commented that “Inflation has eased over the past year but remains elevated.”¹ This sentence had not been included in statements released following previous FOMC meetings, and suggests the Fed believes inflation is under control, and will not raise interest rates further. The Fed projected

three cuts to the federal funds rate (0.25% each) in 2024, another sign that they believe inflation will continue to fall.² While the Fed projected that the U.S. will not reach their goal of 2.0 percent inflation until 2026, it projected inflation would fall to 2.4 percent by the end of 2024.³

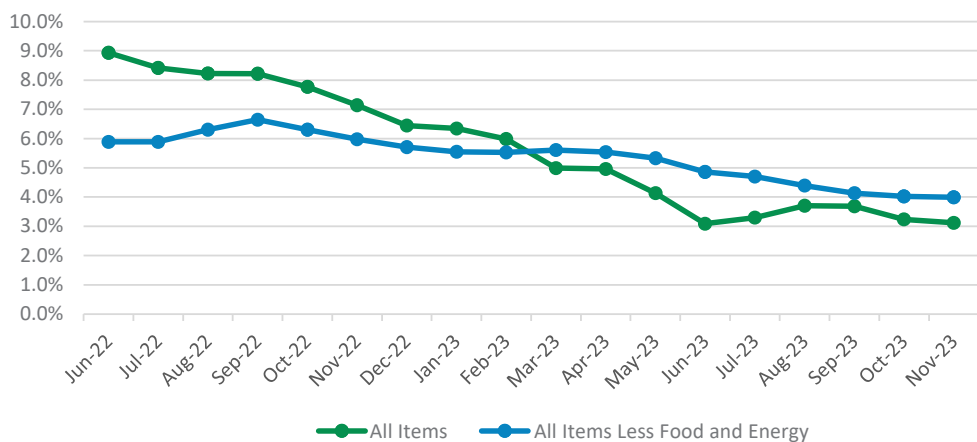
The Consumer Price Index (CPI) increased 3.1 percent over-the-year

in November 2023; over-the-year increases in CPI have declined steadily since June 2022, when CPI increased 8.9 percent. The CPI is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The CPI is produced every month by the U.S. Bureau of Labor Statistics (BLS) and indicates the change in price over time for the basket of goods and services as a whole.

Food and energy products, which frequently have volatile price changes, had some of the largest price increases since inflation began to increase in early 2021. Over-the-year energy price increases peaked at 41.3 percent in June 2022, while food price increases reached 11.3 percent over-the-year in August 2022. Price increases for food products decreased steadily since then, increasing just 3.0 percent over-the-year in November 2023, below the overall rate of inflation. Energy prices were also below the overall rate of inflation, falling 5.4 percent over-the-year in November 2023.

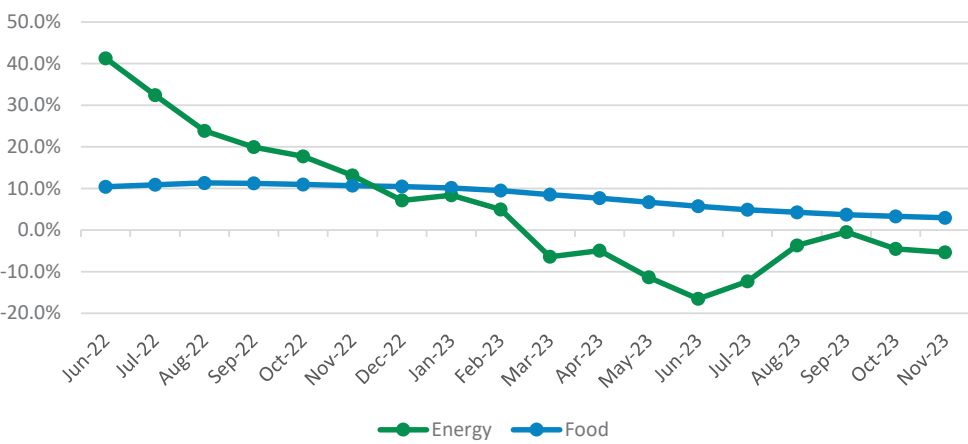
Because food and energy products price changes can be volatile, core

CPI Since Peaking in June 2022



Source: U.S. Bureau of Labor Statistics, Consumer Price Index

Over-the-Year Food and Energy Price Increases



Source: U.S. Bureau of Labor Statistics, Consumer Price Index

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1 Board of Governors of the Federal Reserve System, “Federal Reserve Issues FOMC Statement,” December 13, 2023. <https://www.federalreserve.gov/newsevents/pressreleases/monetary20231213a.htm>.

2 Board of Governors of the Federal Reserve System, “Summary of Economic Projections,” December 13, 2023. <https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20231213.pdf>.

3 The Federal Reserve’s preferred inflation indicator is the U.S. Bureau of Economic Analysis’ Personal Consumption Expenditures (PCE) Index, which typically measures inflation at a slightly lower rate than CPI. In November 2023, the PCE Index increased 2.6 percent over-the-year.

CPI excludes these products. As inflation increased in 2021 and early 2022, core CPI did not increase as much as total CPI, peaking at 6.6 percent in September 2022. Without energy prices, which fell over-the-year throughout most of 2023, the decline in core CPI has been more gradual as well, falling to 4.0 percent in November 2023.

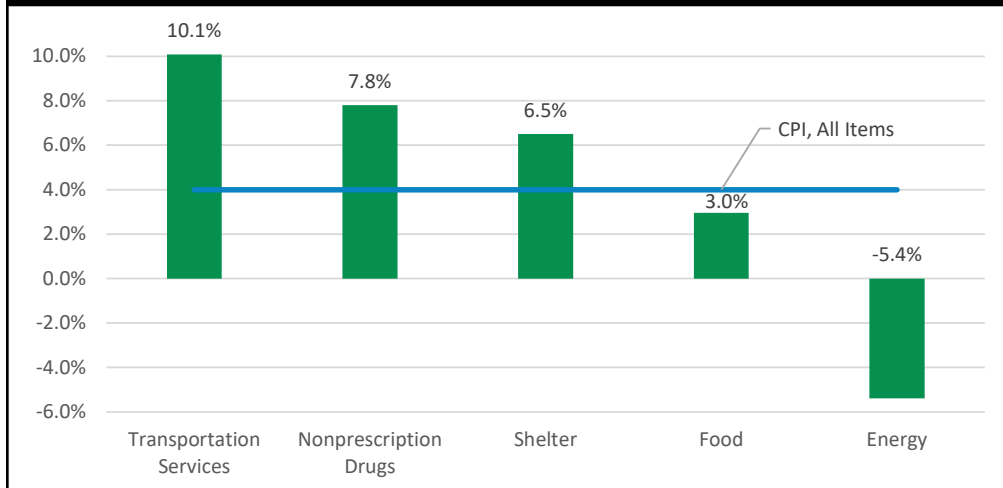
While food and energy price increases declined since mid-2022, prices for other goods and services have remained high. The price of shelter increased 6.5 percent over-the-year in November 2023. Prices for transportation services and medical care commodities have also increased at rates above core CPI. Prices for transportation services, which include air, train, and bus services, as well as motor vehicle insurance and repairs, increased 10.1 percent over-the-year in November 2023, while medical care commodity prices increased 5.0 percent. Nonprescription drugs were the medical care commodity most responsible for this increase, increasing 7.8 percent over-the-year.

Shelter is one of the largest expenses for most consumers, accounting for just over a third of all expenditures by consumers.⁴ Without a decline in shelter price increases, it will be difficult for inflation to return to the Federal Reserve’s target rate. Fortunately, increases in the price of shelter have declined since early 2023, falling from 8.2 percent in March to 6.5 percent in November.

Inflation in Different Regions of the U.S.

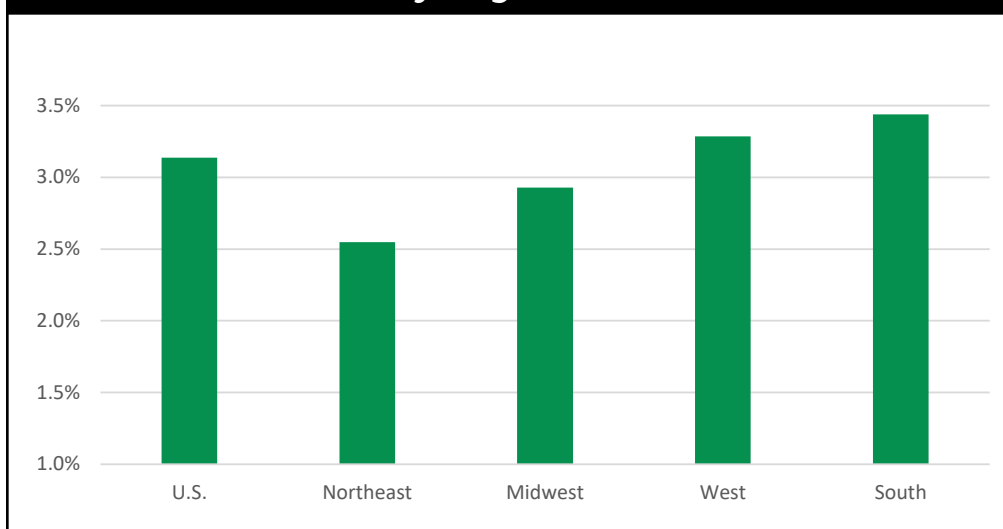
Since inflation began increasing in 2021, inflation in the northeastern U.S. (Mid-Atlantic and New England states) had consistently been lower than overall U.S. inflation. While over-the-year increases for U.S. CPI peaked at 9.1 percent in July 2022, increases for Northeast region CPI peaked at 7.6 percent.⁵ In November 2023, CPI for the Northeast increased 2.5 percent over-the-year for all items, and 3.5 percent when food and energy products were excluded, 0.6 and 0.5 percentage points lower than nationwide increases, respectively. The CPI increase for the

November 2023 Over-the-Year Price Increase



Source: U.S. Bureau of Labor Statistics, Consumer Price Index

CPI Increases by Region, November 2023



Source: U.S. Bureau of Labor Statistics, Consumer Price Index, Not Seasonally Adjusted

Northeast was the lowest among the four regions of the U.S., with the highest increases in the West (3.3 percent) and South (3.4 percent).

An analysis by the Chicago Federal Reserve found that regional differences in price changes (instead of different consumption habits) were responsible for inflation differences across regions.⁶ Domestic migration to the south and west regions, which increased demand for housing in the south and west, was the largest factor in explaining differences in regional rates of inflation. While out-migration from the northeast region increased since the start of the coronavirus pandemic, northern New England (including New Hampshire) experienced increased in-migration.

⁴ U.S. Bureau of Labor Statistics, Consumer Price Index News Release, Table 1. https://www.bls.gov/news.release/archives/cpi_12122023.htm.

⁵ Not adjusted for seasonal factors.

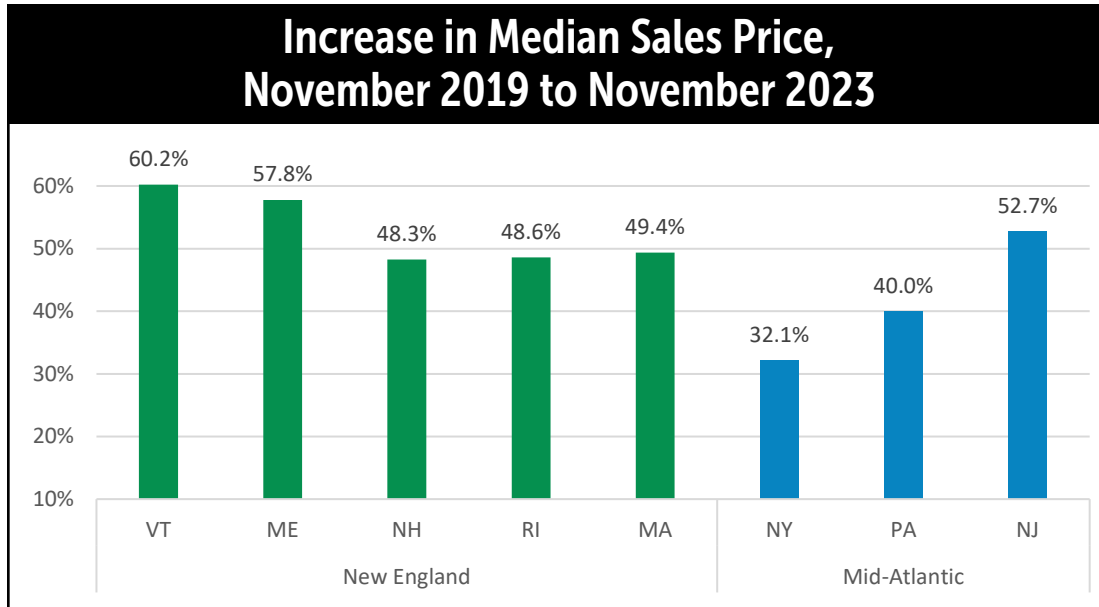
⁶ Elainia Gupta, Leslie McGranahan, “What Is Driving the Differences in Inflation Across U.S. Regions?” Federal Reserve Bank of Chicago, Chicago Fed Letter, No. 478, May 2023. <https://www.chicagofed.org/publications/chicago-fed-letter/2023/478>.

Compared to the rest of the northeast region, this area likely experienced a greater increase in demand for housing.

Changes in median home sales price suggest that demand for housing has been higher in New England (particularly northern new England) than in the Mid-Atlantic since the start of the pandemic. Between November 2019 and November 2023, median home sales prices in New England states increased by at least 48 percent. While sales prices in New Jersey increased by a similar percentage, sales prices increased just 32 percent in New York and 40 percent in

Pennsylvania. New York and Pennsylvania have a combined population of more than 30 million, roughly double the population of New England. Lower housing price increases in those two states would have a large effect on the overall rate of housing-related inflation for the northeast region overall. This suggests that housing-related inflation in New Hampshire, as well as the rest of New England, is likely higher than housing-related inflation in the northeast overall.

– Greg David, Economist



Source: National Association of Realtors