



## Steep Decline, Weak Recovery Seen For New England Economy

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May 21, 2009

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BOSTON – New England’s current economic problems are anticipated to continue throughout 2009, with only modest improvement in 2010, according to Ross Gittell, James R. Carter Professor of Management at the University of New Hampshire.

Gittell released his spring 2009 economic forecast at the New England Economic Partnership spring economic outlook conference, “Can We Afford the Future? The Fiscal and Economic Outlook for New England,” at the Federal Reserve Bank of Boston today, Thursday, May 21, 2009. He is the partnership’s vice president and New England forecast manager. In addition to Gittell’s forecast, the partnership released new economic forecasts for the United States and each of the six New England states.

According to Gittell:

- The region is expected to lose more than 450,000 jobs, from a base of just more than 7 million.
- Employment is expected to hit its low point in the second quarter of 2010.
- The peak-to-trough percentage employment decline is forecast to be 6.3 percent, compared to 5.7 percent decline expected nationally.
- The unemployment rate in the region is expected to continue to rise but remain below the U.S. average. The rapid rise occurs from a level over 8 percent in mid-2009, to an expected peak of 9.2 percent in mid-2010.

“The forecasted unemployment rate peak in the region is more than a full percentage point below the expected national peak of 10.3 percent. This is due to the relatively slow growth in population and labor force and the relatively high level of educational attainment in the region,” Gittell said.

All the New England states are in recession and are forecasted to experience significant declines in employment over the upcoming period, according to Gittell.

Rhode Island is expected to suffer the greatest peak-to-trough decline in employment within the region at 7.8 percent. New Hampshire is expected to have the least decline of all the states in the region at 4.4 percent, and is the only state in the region with an employment decline less than the expected U.S. average of 5.7 percent.

Until recently, the Massachusetts economy also was doing better than the national average in this respect, but the Bay State now is experiencing significant employment declines and is expected to have a total employment decline peak-to-trough of 6.5 percent, he said. Vermont is expected to have the second most pronounced peak-to-trough decline in the region at 7.3 percent followed by Connecticut (6.6 percent) and Maine (6.3 percent). The regional average is expected to be 6.3 percent.

Rhode Island is expected to have the highest unemployment rate, peaking at 10.9 percent. All the other states in the region are expected to have unemployment rate peaks below the U.S. peak rate of 10.3 percent.

Maine is expected to have the second highest unemployment in the region, with a peak of 9.7 percent. Massachusetts, Vermont and Connecticut follow at 9.5, 9.0, and 8.9 percent, respectively. New Hampshire (7.1 percent) is expected to have the lowest unemployment peak in the region, benefiting from a relatively diverse economy and stronger economic fundamentals coming into the recession.

"Recessions are not new to New England," Gittell said. "In the early 1990s, the region experienced a 9.7 percent decline in employment and had similar unemployment rates as forecasted for 2009 and 2010. In the early 2000s during the 'dot-com bust,' the region lost 3.5 percent of its employment. In this recession the region is expected to experience a less-pronounced employment decline than in the early 1990s, but significantly greater than in the early 2000s recession."

While the partnership's forecasters noted that the most pronounced industry declines in both the region and the nation are in sectors most closely tied to housing and financial markets, trade and manufacturing employment are also expected to decline significantly. Health and education services employment is expected to decline much more modestly on a percentage basis, with health services recovering employment before other sectors of the economy due to the nature of demand for health care services being not as tied to the business cycle, but rather to necessity.

"The demand for health services is continuing to grow, exacerbated by the physical and emotional problems associated with household members and individuals dealing with job losses and poor financial prospects, while the ability of patients to pay has declined significantly. The increasing demand for health care along with the decreased ability of those needing health care services to pay puts significant pressure on the health care system to reduce the costs of provision and the quality of services provided and the bottom line of health care – people's health and quality of life – can suffer," Gittell said.

The University of New Hampshire, founded in 1866, is a world-class public research university with the feel of a New England liberal arts college. A land, sea and space-grant university, UNH is the state's flagship public institution, enrolling 11,800 undergraduate and 2,400 graduate students.

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