



New England Economy Forecast To Be Slightly Stronger, Despite Growth Lag

Region Expected To Experience Significant Decline In Housing Market

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May 23, 2007

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DURHAM, N.H. -- Growth in gross regional product, total employment and income in New England is expected to be below the national average through 2011, but the regional economy is forecast to be slightly stronger with growth closer to the national average, according to the latest New England Economic Outlook.

Ross Gittell, James R Carter Professor at the University of New Hampshire and the vice president and forecast manager for the New England Economic Partnership, presented his latest economic forecast for New England Thursday, May 24, 2007, at the partnership's spring conference.

"Across the New England states, New Hampshire -- with overall growth at the national average and employment growth slightly above the national average -- and Connecticut -- with growth in real income per capita above the national average -- are the only exceptions to growth across the region below the U.S. average," Gittell said.

New England real gross product growth is expected to average 2.6 percent a year from 2006 to 2011. This compares to the forecasted national growth of 2.9 percent. Growth in total employment is expected to average .9 percent a year in the region, compared to the national average of 1.2 percent.

New Hampshire is expected to have the strongest economy in New England, with overall economic growth at the national average of 2.9 percent a year and average employment growth slightly above the U.S. average, 1.3 percent annually compared to 1.2 percent average for the U.S., over the forecast period.

Connecticut and Massachusetts are expected to lead the region, along with New Hampshire, in growth in gross state product. Connecticut and Massachusetts are expected to have average annual growth in gross state product of 2.8 and 2.6 percent respectively.

All the other states in the region are expected to have overall economic growth at least .5 percent below the U.S. annual average, ranging from Vermont at 2.5 percent growth per year to Rhode Island at 1.9 percent. New Hampshire is also forecast to lead the region in total employment growth. It is the only state in the region expected to grow at a rate above the national average.

The region's real per capita income is expected to grow below the national average over the forecast period, 2.3 percent a year compared to the national average of 2.5 percent. Connecticut is expected to be the only state in the region with per capita income growth above the U.S. average at 2.8 percent.

Health and education services is expected to be the fastest growing sector of the regional economy at 2.1 percent a year over the forecast period. Professional and business services, and leisure and hospitality, are both expected to grow at 1.7 percent average annual rates. The weakest regional employment sectors are expected to be manufacturing (.5 percent annual decline) and construction (.4 percent annual decline).

Gittell also provided information regarding the housing market, which was the focus of this year's conference, "From Sublime to Subprime: The Outlook for Housing in New England."

Regional housing prices are expected to decline through the 2nd quarter of 2008. The sharpest declines are expected to be in the last three quarters of 2007, followed by more modest decline, and then slow recovery. Housing prices are not expected to return to their peak level in the region until the middle of 2010.

"The housing price decline in the region is significant, but the decline is not expected to be as pronounced as the decline in the last housing recession in the late 1980s and early 1990s," Gittell said.

The most pronounced peak to trough declines in housing prices in the region are expected in Massachusetts (-14 percent), Rhode Island (-13 percent) and New Hampshire (-12 percent). Connecticut is forecast to have a decline of 10 percent and Maine 9 percent. Vermont is expected to have the least decline in the region (-4 percent) and the only decline in the region less than the national average.

