



New England Economy Entering Cool-Down Period

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DURHAM, N.H. – The New England economy is expected to experience slow growth over the next six months as the region struggles with the broadening effects of the housing credit crisis and rising energy prices, according to Ross Gittell, James R. Carter Professor at the University of New Hampshire.

Gittell, who serves as a forecast manager for the New England Economic Partnership, released his Fall 2007 New England Economic Outlook Tuesday, Nov. 13, 2007, at the partnership's semi-annual conference in Boston.

According to Gittell, regional growth will remain low and below the national average through the remainder of the decade, a trend that began in 2001. New England real gross product growth will average just 2.2 percent a year from 2006 to 2011, which is down from the spring forecast of 2.6 percent and below the national average of 2.6 percent over the time period.

The weakest times for the regional economy are expected to be the next couple of quarters – the last quarter of 2007 and the first quarter of 2008 -- with growth in gross regional product of 1.6 and 1.7 percent, respectively. The regional economy then will experience a slow and modest recovery, with a peak of 3.4 percent in the first quarter of 2009.

"The fall 2007 national and regional slow growth forecasts and the lowered NEEP forecast from the spring are indicative of the broadening effects of the national credit crisis and the economic vulnerabilities extending from the housing market to other sectors of the economy. In the region, housing price decline is expected to continue through the second half of 2008 and then have a slow recovery," Gittell said.

New Hampshire is forecast to lead the region in total employment growth at 1.7 percent annually, and will be the only New England state to grow at a rate above the national average. Maine is expected to have the lowest growth in employment at .5 percent a year. Connecticut will continue to lead the region with per capita income growth at 3 percent.

"New England has been experiencing slow growth in population and employment. The region has been growing at a rate below the U.S. average and significantly below the growth rates of fast growing regions of the nation, including the mountain states. Of noteworthy concern for region's economic future are indications that New England is experiencing decline in 'attractiveness' to young adults and businesses expanding employment," Gittell said.

Regional housing prices are expected to decline through the second quarter of 2008, with the sharpest decline in the last quarter of 2007. A slow and modest recovery will follow.

