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Slow Growth, Uncertain Housing Market Forecast For New England Economy

UNH Professor Releases Fall 2006 Economic Forecast For Region

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DURHAM, N.H. -- The New England economy is expected to experience slow growth, and uncertainty in the housing market could have a significant negative influence in the region, according to Ross Gittell, University of New Hampshire James R. Carter Professor and professor of management, and regional forecast manager and vice president of the New England Economic Partnership.

Gittell presented his fall 2006 New England economic forecast at the partnership's fall conference held today in Boston.

"The outlook is for a slow growing New England economy. Adding to a relatively bleak economic outlook is high downside risk in the forecast. This is most influenced by uncertainty in the housing market. A weaker and longer to recover housing market nationally and in the region (than in the forecast) would have a significant negative influence on the regional economy," Gittell said.

According to his forecast, regional employment growth is expected to remain below the national average throughout the forecast period, 2005 to 2010. Overall economic activity (real gross regional product) is also expected to grow below the national average throughout the forecast period.

"New England gross product growth is expected to average 2.3 percent per year over the forecast period. This compares to the forecasted national growth of 3.2 percent. Growth in the region's total employment is expected to average .8 percent per year, compared to the forecasted national average of 1.3 percent," according to Gittell.

Massachusetts and New Hampshire are expected to have the strongest regional economies, while Maine is forecasted to have the weakest economy in the region. "This represents a 'turnaround' for Massachusetts from lagging the regional growth in the recovery from the early 2000s recession to now leading it," he said.

Maine's economy continues to suffer from the loss of manufacturing jobs and will be negatively impacted by the closure of the Brunswick Naval Air Station, Gittell said.

The Bay State is expected to lead the region in growth in gross state product, posting the highest average annual growth in gross state product at 2.8 percent. New Hampshire is expected to lead the region in total employment growth and be the only state to grow at a rate near the national average. New Hampshire also is forecasted to lead the region in employment growth in a majority of industry sectors.

“In several sectors New Hampshire is the only state in the region expected to have employment growth above the national average. In the Granite State employment is expected to grow at 1.2 percent per annum compared to the U.S. average of 1.3 percent per year,” Gittell said.

Finally, the region’s real per capita income is expected to grow well below the national average over the forecast period, 2.5 percent per year compared to the national average of 3.4 percent. According to Gittell, New Hampshire is expected to have per capita income growth just below the U.S. average at 3.2 percent. The other states in the region are expected to have annual real per capita income growth ranging from 2.7 percent in Connecticut to 2.2 percent in Rhode Island.