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Hurricanes Will Only Affect New England Economic Growth In Short-Term, According To UNH Professor's New England Economic Forecast

NH To Have Strongest Economy; Region Benefits From Educational Advantage

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DURHAM, N.H. – New England will feel the impact of Hurricanes Katrina and Rita economically in the second half of 2005, but the region is expected to recover the dampened growth with stronger growth in early 2006, according to new forecast released today by Ross Gittell, James R. Carter Professor at the University of New Hampshire Whittemore School of Business and Economics and New England Economic Partnership forecast chair.

Gittell presented his latest research on the New England economy at the New England Economic Partnership's Fall 2005 Economic Outlook Conference. The conference was held in Westborough, Mass., with the conference theme, "A Reinventing the New England Economy: What Role for Higher Education?"

According to Gittell, the region will experience resilient, yet slow growth in the coming months, with slightly lower growth at the end of 2005 and stronger growth in early 2006 than anticipated in his Spring 2005 NEEP forecast. "This is mainly a result of the impact of Hurricanes Katrina and Rita on the national and regional economies. The hurricanes have increased energy and overall prices and dampened growth in the nation and region in the second half of 2005. Much of dampening of growth from the hurricanes in the region is expected to be recovered, with stronger growth in early 2006 than previously anticipated," Gittell said.

As part of the conference focus, Gittell explained that the New England region has an education advantage, which has been a source of economic advantage. "The higher education industry in the region has been of significant economic benefit to the region: providing employment opportunities for residents; attracting the best and brightest from all over the world; helping to educate the workforce; and contributing to the high technology employment concentration in the region," he said.

"In New England and across the 50 states there is a strong correlation between the percentage of adults with a bachelor's degree and per capita income. All the New England states have above the national averages percent of adults with a four-year college degree and per capita income, except for Maine. Three of the states in the region -- Massachusetts, Connecticut and New Hampshire -- are among the top seven states in the nation in both higher education attainment and income," Gittell said. Maine is the only state in the region with below the U.S. average

percentage of adults with a bachelor's degree. Maine also has the lowest per capita income in the region and is the state expected to experience the slowest overall economic growth over the forecast period.

The overall regional economy is expected to grow 3.1 percent per year on average -- below the national average of 3.3 percent over the forecast period. Growth in the region's economy is expected to peak in the second quarter of 2006 at 3.5 percent and then level off and remain at around 2.5 percent through the first half of 2007 before rising again above 3 percent. Regional employment growth is also expected to be below the national average. Growth in total employment is expected to average 1.1 percent per year, compared to the national average of 1.4 percent over the forecast period. Regional employment is expected to return to its 7.083 million first-quarter of 2001 peak level in the second quarter of 2006.

In the region the strongest economy is expected to once again be New Hampshire. "New Hampshire is the only state in the region expected to have overall economic (gross state product) and employment growth above the U.S. average over the forecast period. The Granite State is forecast to average 3.5 percent gross state product growth per year. Connecticut is expected to grow at an average annual rate just below the U.S. average, or 3.2 percent. Massachusetts' economy is expected to grow 3 percent per year. Maine and Vermont are forecasted to have the slowest overall growth in the region, approximately 2.4 and 2.8 percent per year respectively," according to Gittell.

Total employment is forecast to grow at 1.5 percent per annum in the Granite State. Rhode Island's average annual total employment growth is expected to be just below the New Hampshire and national average, or 1.3 percent per year. Maine, Connecticut, Massachusetts and Vermont are expected to have the slowest growing employment at below 1 percent annually.

In all the major North American Industrial Classification System (NAICS) super-sectors of the economy -- with the exception of manufacturing -- employment growth in the region is expected to be below the national average. The gap in the United States compared to New England growth is expected to be greatest in financial activities and least pronounced in information industries. In manufacturing, the slight decline forecasted for New England is just below the expected average annual decline in the nation.

Professional and business services and leisure and hospitality are forecasted to be the fastest growing NAICS super-sectors in the region with average annual growth rates at twice the total employment average, or 2 percent annually. While growing faster than other sectors of the regional economy, professional and business employment in all the New England states is expected to grow below the U.S. average of 2.6 percent per year.