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**Forecast: New England States Emerging From Recession, But Employment Growth Lags**

May 20, 2010

BOSTON – The New England states are emerging from the national recession, but employment growth will lag, with the region not expected to reach its pre-recession employment peak until the third quarter of 2013, according to Ross Gittell, James R. Carter Professor of Management at the University of New Hampshire.


“All the New England states are now coming out of recession, with the most significant indicator being employment growth. New Hampshire was the first state in the region to experience employment growth in the last quarter of 2009, followed by Maine in the first quarter of 2010, and then followed by all the remaining states in the second quarter of 2010,” Gittell said.

According to Gittell:

- The unemployment rate is expected to continue to rise to 9.3 percent until the first quarter of 2011 -- the highest rate since 1992 in New England. This regional unemployment rate peak compares favorably to the expected peak in the U.S. unemployment rate of 10.3 percent.

- Rhode Island is expected to have the highest unemployment rate peak at 12.9 percent.

- New Hampshire (7.2 percent) and Vermont (6.9 percent) are expected to have the lowest unemployment peaks in the region, benefiting from relatively strong labor markets entering the recession.

- New Hampshire and Vermont experienced the lowest percentage declines in employment 2007-2009 with declines of 4.6 and 4.3 percent respectively, while Rhode Island had the steepest decline, 8.7 percent, and one of the steepest in the nation.

- Maine and New Hampshire are expected to have the highest growth in total employment at 8.1 percent and 7.8 percent respectively in the forecast period (through the fourth quarter of 2013). Rhode Island is expected to have the third strongest recovery in the region, 6.9 percent, due mainly to the Ocean State’s more pronounced decline during the recession. The remaining states in the region are expected to experience growth in employment from their troughs to the end of the forecast period of between 5 percent and 6 percent.

According to Gittell, high-technology industry employment growth, including growth in information services, is expected to be relatively strong. High-tech and information services are forecast to grow 9.2 percent and 7.4 percent, respectively, from their low points during the recession to the end of 2013. These industries also were significant contributors to the recovery in the region after the early-1990s recession.

Also expected to grow above the total employment average are construction (7.9 percent) — rebounding with pent-up demand after a prolonged decline — professional and business services (10.7 percent), and leisure and hospitality (8.4 percent). Finance, trade and manufacturing industries are expected to have weaker recoveries from their employment troughs.

"The most significant employment base in the region and also in the nation is in establishments with greater than 10 and fewer than 100 employees. These establishments employ about 40 percent of all workers in the region. Of most significance, smaller establishments, with fewer than 50 employees, were very important contributors to employment growth in the region during the early 2000s gaining employment at higher rates than larger establishments. Small firms will be important for the region’s economic recovery,” Gittell said.

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