

Media Relations

UNH Economist: Weak Global, U.S. Economic Conditions Slowing New England Economic Growth And Recovery

November 18, 2011

DURHAM, N.H. – The New England states continue to experience slow growth and slow recovery of the jobs lost in the 2008 recession because of continued weakness in global and U.S. economic conditions. The region’s economy is expected to grow slowly for the remainder of 2011 and 2012 and not to pick up much momentum and strength until well into 2013, according to Ross Gittell, James R. Carter Professor of Management at the University of New Hampshire.

Gittell will release his fall 2011 economic forecast at the New England Economic Partnership economic outlook conference, “New England Economic Forecast and Millennials, Baby Boomers, and New England’s Future,” at the University of New Hampshire Manchester today, Friday, Nov. 18, 2011. He is the partnership’s vice president and New England forecast manager. In addition to Gittell’s forecast, the partnership released new economic forecasts for the United States and each of the six New England states.

“There remains significant concern and uncertainty in the global and national economies that have significant influence on the New England economic outlook. This includes the European debt crisis, continued weakness in housing markets, low consumer confidence, and government at all levels under significant fiscal stress,” Gittell said.

The region’s overall economic growth is expected to remain low, especially for a recovery from a recession. The gross regional product annualized growth is expected to remain below 2 percent until early 2013 and below 3 percent until 2014. The region is not expected to return to its pre-recession employment level until the very end of the forecast horizon, in the second quarter of 2015, which is two quarters after the expected recovery of jobs lost in the recession in the nation.

“Of significant concern looking forward is how the New England states will be affected by the European debt crisis. The European market has been an important trade partner and investor in New England, and a weak European economy will have economic implications in the region. In addition, fiscal challenges at the state and federal level, and low consumer and investor confidence will affect the regional economy,” he said.

Over the next year, regional employment is expected to remain at its current level and not grow at an annual rate above 1 percent until the middle of 2013. Declining or flat median housing prices are expected to continue in New England until early 2013 and then increase only modestly. The regional unemployment rate is expected to remain below the U.S. average, but still high at above 8 percent until late 2013.

In addition, the region will continue to see significant variation in economic performance, with Vermont and New Hampshire expected to have the strongest employment growth in the region over the forecast period. According to Gittell, Vermont is the only state in New England expected to have employment growth at a rate above the expected U.S. average over the forecast period. Maine and Connecticut are expected to have the lowest employment growth in the region. Rhode Island is expected to continue to have the highest unemployment rate in the region throughout the forecast period, which extends to the second quarter of 2015.

The full New England economic outlook is available at http://www.unh.edu/news/docs/NEEPFall2011_NE.pdf

U.S. Economic Outlook

Mark Zandi, chief economist with Moody’s Analytics, said that the U.S. macroeconomic outlook may be improving, with growth appearing to have stabilized and recession risks receding.

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"After decelerating sharply this past spring and summer, growth appears to have stabilized. Real GDP growth during the second half of this year is tracking near 2.5 percent, about equal to the economy's potential rate. This is a relief, as recession risks have receded, but it is also frustrating, as it isn't enough to reduce the nation's painfully high 9 percent unemployment rate," Zandi said.

"Though the odds of another U.S. downturn are lower, they remain uncomfortably high. They won't recede substantially until it is clearer whether European policymakers are able to contain their debt crisis. The latest flash point is Italy, as investors are losing faith in the ability of the country to service its €2 trillion debt load—the globe's third largest after the U.S. and Japan. Italian sovereign yields have surged, with 10-year yields ballooning to nearly 7 percent, a threshold past which Greece, Ireland and Portugal have needed bailouts," he said.

"Recession will also remain a significant threat until U.S. policymakers get some work done. At the very least, the super committee appointed as part of the U.S. debt-ceiling deal to come up with at least \$1.2 trillion in 10-year deficit reductions must do no harm. Achieving its goal through gimmickry—such as using savings from an expected drawdown of troops in Iraq and Afghanistan—would be counterproductive," Zandi said.

New Hampshire Economic Outlook

The New Hampshire economic outlook still calls for the Granite State to grow faster than the regional average, but tenuous current conditions threaten the outlook, according to NEEP New Hampshire forecast manager Dennis Delay with the New Hampshire Center for Public Policy Studies.

"The forecast calls for New Hampshire to grow faster than the regional average, but tenuous current conditions threaten the outlook. Unless the economy gains significant momentum in the next six months, the forecast could be compromised," Delay said.

Full New Hampshire economic outlook: http://www.unh.edu/news/docs/NEEPFall2011_NH.pdf

For more information on the New Hampshire economic outlook, contact NEEP New Hampshire forecast manager: Dennis Delay, economist, New Hampshire Center for Public Policy Studies, 603-226-2500, ddelay@NHPolicy.org

Maine Economic Outlook

The forecast for the Maine economy is significantly downgraded from recent NEEP forecasts, reflecting both the overall changes in the national economy and the selection of more restrained growth driver by NEEP, said Maine economic forecast manager Charles Colgan, professor of public policy and management at the Muskie School of Public Service, and associate director of the Maine Center for Business & Economic Research at the University of Southern Maine.

"Employment losses have resumed in the Maine economy and are expected to continue through the next year. Although the losses will be small, the trends take the Maine economy closer to the levels at the bottom of the recession rather than to recovery. While growth is expected to resume at a faster clip in 2014 and 2015, this forecast does not foresee recovery to pre-recession levels within the forecast horizon," Colgan said.

Full Maine economic outlook: http://www.unh.edu/news/docs/NEEPFall2011_Maine.pdf

For more information on the Maine economic outlook, contact NEEP Maine forecast manager: Charles Colgan, professor of public policy and management at the Muskie School of Public Service, and associate director of the Maine Center for Business & Economic Research, University of Southern Maine, 207-780-4008, colgan@maine.edu

Massachusetts Economic Outlook

Massachusetts economic growth is expected to be weak for the rest of 2011 through mid-2013, according to Massachusetts economic forecast manager Alan Clayton-Matthews, associate professor at the School of Public Policy and Urban Affairs, and Economics Department at Northeastern University.

"Massachusetts will avoid a recession, but output will grow slowly enough so that some job losses are expected for the remainder of this year and the first quarter of next year. The labor market will be weak enough so that the unemployment rate is expected to rise by about one-half a percentage point. It won't be until the second half of 2013 that the economic recovery will finally kick into gear once again," he

said.

Full Massachusetts economic outlook: http://www.unh.edu/news/docs/NEEPFall2011_MA.pdf

For more information on the Massachusetts economic outlook, contact the NEEP Massachusetts forecast manager: Alan Clayton-Matthews, associate professor, School of Public Policy and Urban Affairs, and Economics Department, Northeastern University, 617-373-2909, a.clayton-matthews@neu.edu

Vermont Economic Outlook

The consensus forecast-adjusted Vermont near-term economic outlook expects that the Vermont economy will mirror the U.S. economy throughout the calendar year 2011-15 forecast period. Looking at the major macro variables, the state can expect a similar profiled but somewhat muted recovery/expansion path for real output (as measured by Gross State Product or GSP) and for inflation-adjusted or real personal income, according to the Vermont economic forecast managers.

"The somewhat muted forecast is a reflection of the fact that the Vermont economy did not decline as much as her U.S. and New England regional economic counterparts—which therefore led to more muted rates of recovery," said Vermont economic forecast managers Jeffrey Carr, president, and Nathan Johnson, economist, both with Economic & Policy Resources, Inc.

Full Vermont economic outlook: http://www.unh.edu/news/docs/NEEPFall2011_VT.pdf

For more information on the Vermont economic outlook, contact NEEP Vermont forecast manager: Jeffrey Carr, president, Economic & Policy Resources, Inc., 800-765-1377, jbc@epreconomics.com

Connecticut Economic Outlook

A modest recovery is expected for the Connecticut economy in 2011, but the national malaise should stall Connecticut job and income growth projected for 2012.

"High quality, high paying jobs were lost in finance, business services, and construction, and Wall Street appears to be retrenching again, along with possible job cuts in defense. An eventual rebound is expected in the banking, insurance, construction, and professional services sectors in 2013 and beyond, but the number, timing, and nature of these new jobs will significantly affect the pace and sequence of the Connecticut recovery.

Full Connecticut economic outlook: http://www.unh.edu/news/docs/NEEPFall2011_CT.pdf

For more information on the Connecticut economic outlook, contact NEEP Connecticut forecast manager: Edward Deak, professor of economics, Fairfield University, 203-254-4000 ext. 2866, deak@fairfield.edu

Rhode Island Economic Outlook

The year 2012 shapes up as a difficult year for the Rhode Island economy, according to the Rhode Island economic forecast managers. The state continues to face three major challenges: creating jobs and getting people back to work, solving the state's pension and budget problems and streamlining its cumbersome regulatory system.

"Rhode Island ranked in the top five states in unemployment throughout 2011. In addition, the state's budget continues to be impacted by unfunded pension and health program liabilities in excess of \$13 billion. And, the state continues to rely on over \$250 million in gambling revenues which will be challenged by Massachusetts anticipated entry into the casino business over the next couple of years," according to Edward Mazze, distinguished university professor of business administration at the University of Rhode Island, and Edinaldo Tebaldi, assistant professor economics at Bryant University.

Because job creation will be weak in the next couple years, the unemployment rate is expected to be above 10 percent until the end of 2012, and reach 8 percent in 2015.

Full Rhode Island economic outlook: http://www.unh.edu/news/docs/NEEPFall2011_RI.pdf

For more information on the Rhode Island economic outlook, contact NEEP Rhode Island forecast managers: Edward Mazze, distinguished university professor of business administration, University of Rhode Island, emazze@uri.edu, or Edinaldo Tebaldi, assistant professor of economics, Bryant University, etebaldi@bryant.edu.

The University of New Hampshire, founded in 1866, is a world-class public research university with the feel

of a New England liberal arts college. A land, sea, and space-grant university, UNH is the state's flagship public institution, enrolling more than 12,200 undergraduate and 2,300 graduate students.

-30-

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