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Lori Wright
UNH Media Relations

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Slow Recovery, Flat Economy - But No Recession - Forecast For New England

Media Contact:  Lori Wright
603-862-0574
UNH Media Relations
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EDITORS AND REPORTERS: Ross Gittell is available for interviews about his economic forecast beginning Tuesday, May 27, 2008. He can be reached at 603-862-3340 (work), 603-431-7628 (home) and ross.gittell@unh.edu

DURHAM, N.H. - New England will experience a slow recovery starting in mid-2008 and a relatively flat economy through 2012 as a result of the national credit and housing crises, according to Ross Gittell, James R. Carter Professor of Management at the University of New Hampshire.

"Current conditions in the nation, and extending to the region, are a product of the broadening effects of the national credit crisis and the economic vulnerabilities extending from the housing market to other sectors of the economy," Gittell said.


Despite the grim news, the region should avoid a recession, with the gross regional product growing, albeit marginally, in the first two quarters of 2008.

"The relative resiliency of the regional economy can be attributed to the Massachusetts economy. The Bay State output in the first two quarters of 2008 has been growing at annualized rates of 3 and 2.6 percent, respectively, thanks to strong export and high technology and related industry performance," Gittell said.

Massachusetts accounts for more than 50 percent of the regional economy. No other state in the region is expected to avoid the decline in gross state product in the first two quarters of 2008. Rhode Island and Vermont have the weakest economies in the region with the remaining states having virtually flat to no growth.

The region's growth will be slow through 2012:

- Gross regional product will grow slightly below the national average, on average 2.7 percent per year compared to 2.8 percent.

- Total employment is expected to increase by only 177,000 from a 7 million base (2.5 percent over the five-year period).

- Employment growth in the region is expected to be just one-half the growth expected nationally of 5.1 percent.
• Nearly all of the New England states across all the major industry sectors are expected to have growth rates below the national average after the second quarter of 2008 to 2012.

• Vermont, Massachusetts and New Hampshire are expected to lead the region in average annual growth in gross state product, with growth at about the U.S. average of 2.8 percent a year.

• Four major sectors are expected to experience employment declines -- construction, manufacturing, financial activities and trade.

• Real per capita income is expected to grow slowly and below the national average -- 1.5 percent per year compared to the national average of 1.9 percent. This compares to 3 percent growth in the region in 2006 and 2007.

When looking at individual states, Massachusetts' strongest performance relative to the U.S. average is expected to be in 2008. New Hampshire is forecast to have growth near or above the U.S. average throughout the forecast period. Vermont is expected to benefit from new real estate and hospitality industry investments being made and have above the U.S. average growth at the end of the forecast period.

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