

NEW ENGLAND ECONOMIC OUTLOOK: The Great Recession in New England Fall 2009

Ross Gittell
NEEP Vice President
James R. Carter Professor
Whittemore School of Business and Economics, University of New Hampshire

Conditions in the US economy still dominate the New England economic outlook. As in the nation, the regional economy is showing some signs of improvement, but the outlook is for a slow and weak recovery from the recession.

There has been declining employment in New England since early 2008. The decline in employment is expected to continue until the last quarter of 2010. The region is expected to lose over 400,000 jobs by the end of the decline, or 5.8% of employment. The New England decline is expected to be similar to the US decline (5.3%) in percentage terms. Through the 3rd quarter of 2009, the region had lost an estimated 7/8ths (346,000) of the expected total employment decline.

New Hampshire and Maine are the only states in region expected to have below the US average decline in employment. Rhode Island is expected to have the steepest decline at close to 9% of total employment. As in the nation, the most pronounced declines (in percentage of employment) have been in construction (28%), manufacturing (17%) and finance (11%). The strongest sector in the region, as in the nation, has been health and education services. In New England this sector declined only .1 % and employment growth has returned.

The unemployment rate in the region is expected to peak at 9.4 percent in the third quarter of 2010. The region's unemployment rate is expected to remain below the national average throughout the forecast period, mainly due to a relatively slow-growing population and labor force and the relatively high level of educational attainment in the region. Among the New England states, Rhode Island is expected to have the highest unemployment peak at just over 14 percent. Rhode Island has the highest unemployment rates in the region and the third highest unemployment rate in the nation (13 percent in September 2009, below only Michigan and Nevada). All the other states in the region are expected to have unemployment peaks at or below the US expected peak of 10.1 percent. New Hampshire (7.8%) is expected to have the lowest unemployment peak in the region

Housing price declines are significant in the region but not as pronounced as in the most distressed states (including California, Florida, Nevada and Arizona and several states in the Midwest) and below the national average. The peak-to-trough decline in the region in median housing prices is expected to be 24 percent. This is less than the forecast peak-to-trough decline in the nation of 35 percent.

In the recovery health and educational services in the region is expected to account for just under one of every three jobs gained from 2010 to the middle of 2013. The other leading sectors in employment recovery in the region are expected to be professional and business services, leisure and hospitality, trade, transportation and utilities (49,000) and high technology (37,000). As the region comes out of the recession many are asking what will be the next significant growth engine for the New England economy. After the early 1990s recession, technology growth led the region out of the recession. After the early 2000s recession, strong housing and consumer markets helped the region recover. Now a question is whether or not there will be a new engine of growth for the region coming out of the 2008 to 2010 recession.

A potential sector is the so-called “green economy.” Nationally there is significant public interest and public policy directed at reducing dependence on imported energy and energy sources that contribute to carbon emissions and global warming. In the region there has been legislation, including participation by 5 of the 6 states in the Regional Greenhouse Gas Initiative (RGGI) and also participation in the New England states in Renewable Portfolio Standards (RPS) legislation to reduce use of greenhouse gas emitting fossil fuels, increase use of renewable energy and improve energy efficiency. Will this public interest and public policy help to stimulate the growth of green industries in the region and help the region recover from the great recession of 2008-2009? While it does not appear that the region can depend on the green economy as the next growth engine, the green economy is an area of growth opportunity. This is especially true if green economy development efforts are tied to regional technological strengths and if the region addresses in a significant way its relatively high concentration of older buildings that could benefit from weatherization and energy efficiency improvements.