

New England economic outlook precarious; government fiscal woes threaten region's recovery

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The New England economic outlook remains precarious, with the regional economy struggling to continue its recovery if the U.S. economy remains weak. The looming federal and state fiscal crises will make a difficult road to recovery in the region even more difficult, according to Ross Gittell, James R. Carter Professor of Management at the University of New Hampshire.

Gittell will release his fall 2010 economic forecast at the New England Economic Partnership economic outlook conference, "Deficits as Far as the Eye Can See: Seeking Solutions to our National and State Fiscal Crises," at the [Federal Reserve Bank](#) of Boston Wednesday, Nov. 17, 2010. 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.

"The looming federal and state fiscal crises present a dark shadow over the New England regional economic outlook. The impact of the fiscal difficulties will first hit government sector [employment](#) and then impact other sectors of the economy as well as public services and infrastructure. The direct impact in the government sector is expected to result in a more than 2 percent decline in employment from now until mid-2011. This represents a loss of more than 21,000 jobs in the region and comes at a time when there is limited capacity in the region to

absorb employment setbacks," Gittell said.

Gittell forecasts that the region's economy will grow slowly for another 9 to 12 months and only then to pick up some strength. The growth in the region's overall economy is not expected to rise above 4 percent until the middle of 2011. The overall [economic growth](#) rate in the region is expected to be above the U.S. average through 2012 and then slightly below the U.S. average.

During the next year employment growth in the region also is expected to above the U.S. average, but low with growth at rates less than 1.5 percent annualized until the middle of 2012. After next year, employment growth in the region is expected to be below the U.S. average, returning to a longer term trend. This makes for a long road to employment recovery in the region. The return to employment levels back to pre-recession peak levels in the first quarter of 2008 is not expected until the third quarter of 2013. This is a quarter after the expected employment recovery in the nation.

The region will continue to experience significant variation in economic performance, with Massachusetts and New Hampshire expected to have the strongest economies in the region and Rhode Island the weakest. In terms of recovery from employment declines in the recession to the end of the forecast period (second quarter of 2014), Massachusetts and New Hampshire are expected to have the highest growth in employment, with only New Hampshire expected to have growth during the next four years above the U.S. average of 10 percent. 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 and 7 percent.

"Unlike previous recessions, during the great recession of 2008-09 the New England decline was less than national decline. The recovery after the most recent recession started sooner and has been stronger in the

region than in United States. Yet, the region is struggling to sustain recovery, as U.S. economic conditions and the U.S. outlook remain precarious," Gittell said.

Provided by University of New Hampshire

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