

# An Overview of New England's Economic Performance in 2008

by Robert Clifford, Tom DeCoff, Charu Nidhi Gupta, Michael O'Mara, and Yael Shavit

Like most of the nation, New England suffered economically in 2008. Job losses, rising unemployment, and slumping real estate markets were all factors in one of the worst years for the region's economy. Nevertheless, while the recession certainly took its toll, it did not affect New England as much as it did the nation as a whole.<sup>1</sup>

## At a Glance

- All six New England states showed job losses over the course of 2008. However, the nation lost jobs at a slightly faster pace than the region as a whole.
- Unemployment rates rose throughout the region but remained below the national average for the most part. By year's end, New England had recorded its highest rate of joblessness since 1993.
- Although nearly all real estate indicators painted a dreary picture, exports were a bright spot for the region and the nation.

## Employment

New England lost almost 144,000 jobs—or 2.0 percent of its total—between December 2007 and December 2008. Although those losses reversed four consecutive years of growth, the region fared a little better than the nation as a whole, which shed 3 million jobs, or roughly 2.2 percent of the total. And for the first time since 2000, New England was not outperformed by the nation.

Job losses occurred in nearly all the region's major industries. Hardest-hit was construction, where losses in each of the six New England states meant a collective 12.0 percent collapse in that sector, or a total loss of 36,000 jobs. The national decline in construction jobs was also significant—9.1 percent—but nonetheless milder than the regional loss. Retail trade, manufacturing, financial activities, and professional & business services in New England all suffered over the 12 recessionary months of 2008, collectively shedding 109,000 jobs. Education & health services and

government were the only major sectors to show job *growth* during that time—a 2.0 percent and 0.6 percent increase, respectively—although the region lagged the nation in those sectors.

## Unemployment

Reflecting these job losses, unemployment in New England spiked from 4.6 percent in December 2007 to 6.4 percent in December 2008. Although the region had not seen this rate of joblessness since 1993, it fared slightly better than the nation as a whole, which saw unemployment jump from 4.9 percent to 7.2 percent. By the end of the year, unemployment in the other U.S. Census divisions<sup>2</sup> ranged from 5.4 percent in the West South Central region to 8.2 percent in the Pacific, placing New England in the middle of the pack. All the New England states saw double-digit spikes in average weekly claims for unemployment insurance, which rose nearly 20 percent for the region. Soaring over this regional increase was a 31.0 percent jump in claims for the nation.

## Income and Wages

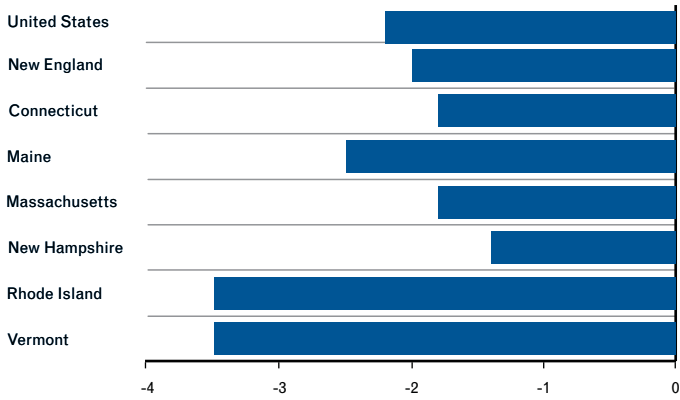
Total personal income for New Englanders rose 1.9 percent between the fourth quarters of 2007 and 2008—the smallest such rise since 2003. This growth lagged not only that of the nation as a whole (2.4 percent), but also growth in all the other U.S. regions except the Far West.<sup>3</sup> Gains in regional wages and salary disbursements—the largest component of personal income—were on par with those seen nationally (up 1.5 percent and 1.6 percent, respectively). Despite the relatively mild gains in income, New England maintained the highest per capita income among all the regions with Connecticut, Massachusetts, and New Hampshire among the top 10 states. The region's per capita income (\$48,715) topped that of the nation as a whole (\$39,751) by almost \$9,000.

## Employer Costs

Private-sector employers in New England saw labor costs rise at rates above the national average between the fourth quarters of 2007 and 2008. The region's total

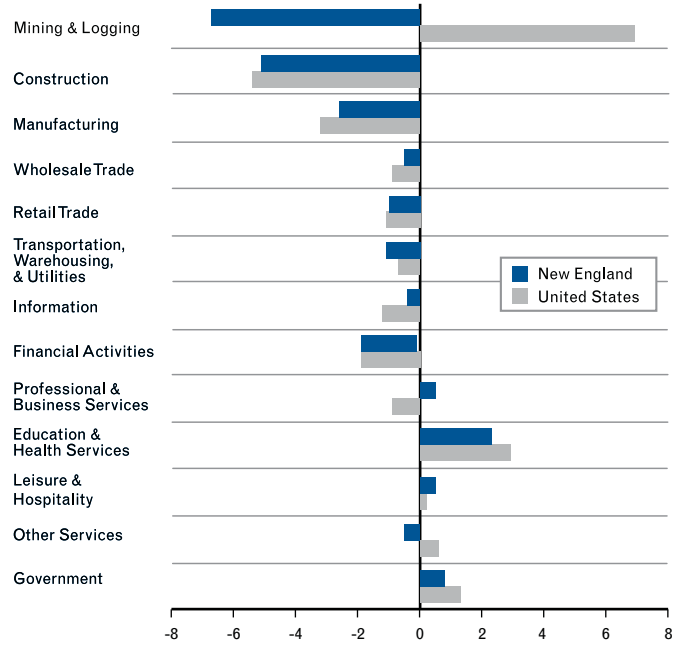
**Chart 1 - Nonagricultural Employment**

Percent Change, December 2007 to December 2008

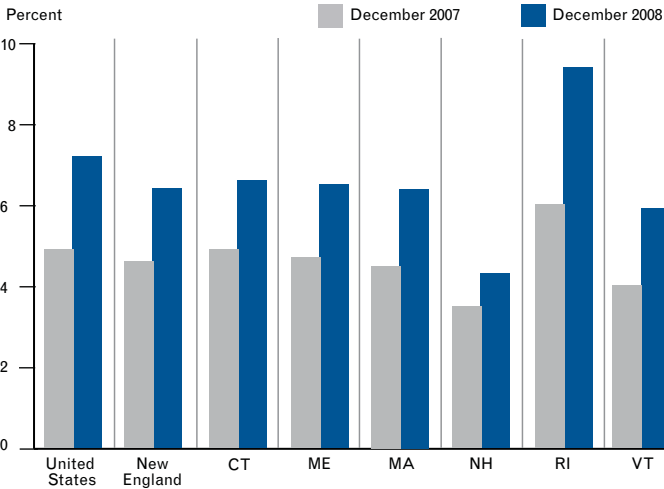


**Chart 2 - Employment by Industry**

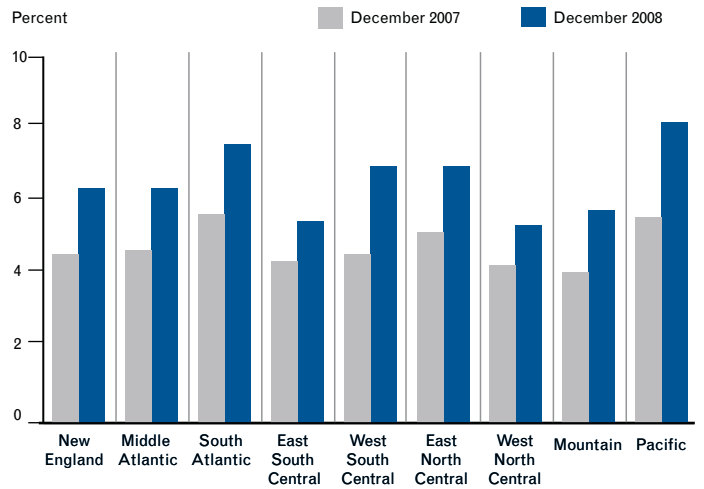
Percent Change, 2007 to 2008 (Annual Average)  
(Not Seasonally Adjusted)



**Chart 3 - Unemployment Rate**

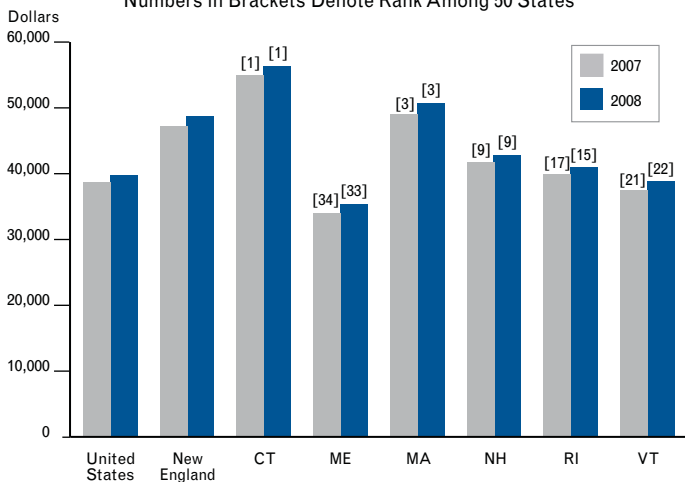


**Chart 4 - Regional Unemployment Rate**

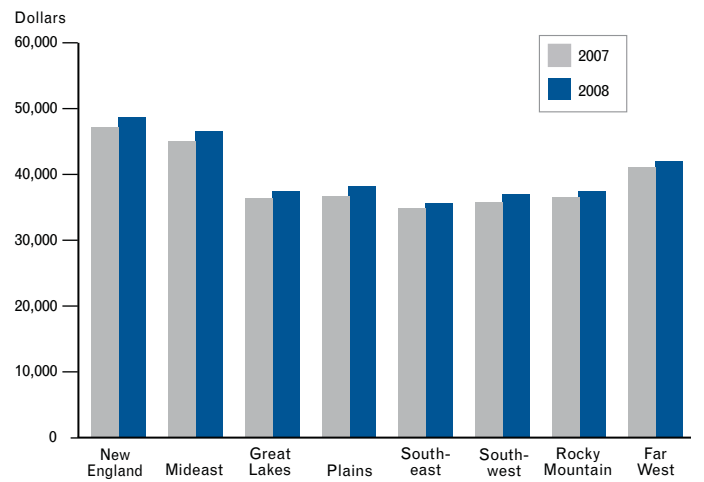


**Chart 5 - Per Capita Income**

Numbers in Brackets Denote Rank Among 50 States

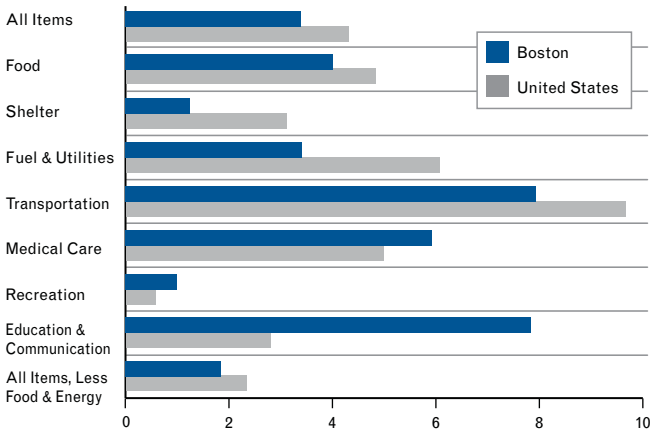


**Chart 6 - Regional Per Capita Income**



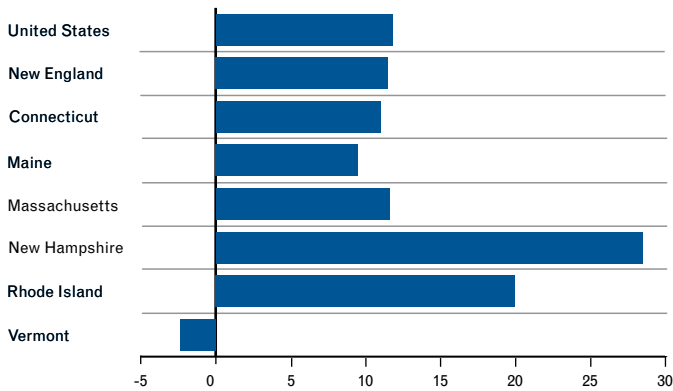
### Chart 7 - Consumer Price Index

Percent Change, November 2007 to November 2008



### Chart 9 - Merchandise Exports

Percent Change, 2007 to 2008 (Annual Total)



compensation cost—measured by the employment cost index—rose 3.2 percent during that time, compared with a 2.4 percent national increase. Costs associated with wages and salaries, a major component of total compensation, rose at even faster rates: 3.8 percent in the region and 2.6 percent in the nation.

### Consumer Prices

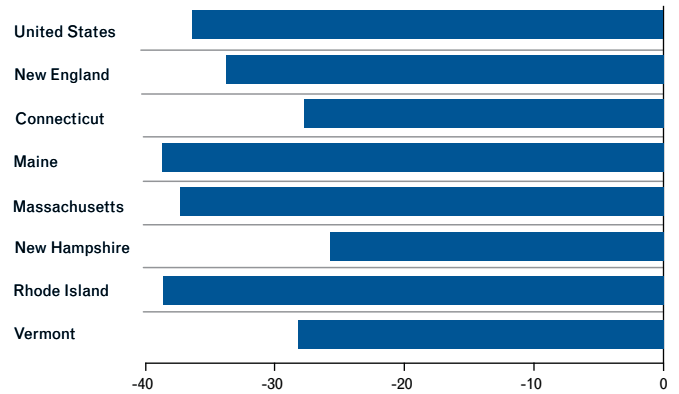
For the 12 months ending in November 2008, overall consumer price inflation in New England was 0.7 percent. Not only was this rate slightly milder than in the nation (1.0 percent), but it was the region's slowest pace since 1994. Food and fuel & utilities saw the largest spikes in prices in both the region and the nation. On the other hand, transportation prices dropped considerably: 7.9 percent in the region and 9.0 percent nationally. Prices associated with shelter also fell regionally, by 1.1 percent, but grew by more than 2.0 percent nationally.

### Residential Real Estate

New England was not insulated from the woes of

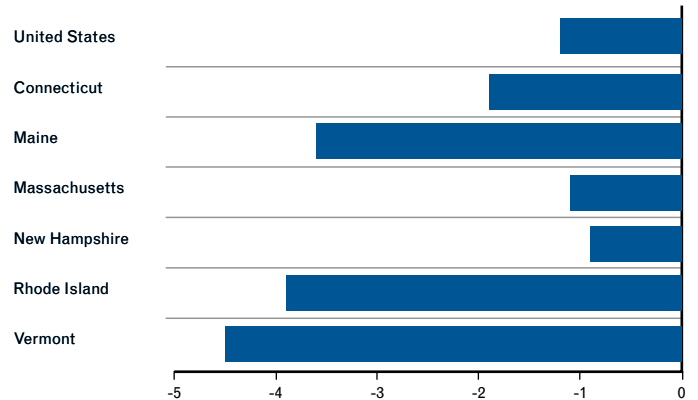
### Chart 8 - Housing Permits

Percent Change, 2007 to 2008 (Annual Average)



### Chart 10 - Economic Activity Index

Percent Change, December 2007 to December 2008



the real estate market in 2008. The Federal Housing Finance Agency (FHFA) home price index indicated a 3.6 percent drop in regional home prices between the fourth quarters of 2007 and 2008—continuing a decline begun in 2007. Although this drop was not as severe as the national 3.8 percent downturn, New England landed in the middle of the nine regions, where changes in home prices ranged from a decline of nearly 14 percent in the Pacific to a 1.8 percent *increase* in the West South Central. Median home prices in New England's metropolitan areas followed suit: 10 of the 11 areas for which data are collected saw prices fall by as much as \$80,500. Pittsfield, Massachusetts, was the only metropolitan area in the region to show an increase (\$3,400). Moreover, at the end of 2008, home prices in Pittsfield exceeded the national median, reversing prior trends.

Having declined significantly from 2006 to 2007, housing permits continued their downward spiral. Permits in New England were down by more than one-third between 2007 and 2008, with all states in the region

showing drops of at least 25 percent. The national decline was also steep, at 26.7 percent. Both the region and the nation showed a collapse in single-unit permits, each with valleys wider than 40 percent. The five New England states for which data are available posted declines in sales of existing homes—up to 31.4 percent—over the course of 2008. Nationally, home sales were down a markedly smaller 5.1 percent.

Significant declines in construction contracts were also a factor in the real estate bust, although non-building projects—including commercial buildings, manufacturing plants, hospitals, schools and colleges—showed an encouraging surge. Total construction contracts were down roughly 15 percent for the region between 2007 and 2008, and slightly less so at the national level. At the heart of these declines were massive plunges in residential construction contracts—around 36 percent for the region and 39 percent for the nation. Nonresidential building contracts slid 4.4 percent regionally between 2007 and 2008, although they rose slightly nationwide, by 2.4 percent. Nonbuilding contracts, the one bright spot in an otherwise dismal real estate scenario, showed a robust 23.8 percent upswing in the region, and a 6.9 percent uptick in value for the nation.

## Merchandise Exports

Despite poor labor and real estate market performances, the region and the nation overall showed strong growth in exports. The value of exports from the nation as a whole grew 11.8 percent between 2007 and 2008, just outpacing the 11.5 percent growth in New England's exports. With total growth more than doubling the pace in 2006 to 2007, the region saw healthy boosts in exports from all its states except Vermont, where exports declined slightly. In 2008, the value of exports from New England reached nearly \$56 billion.

Exports to nearly all the region's top destinations of 2007 were up in 2008, but especially so to Mexico and the United Kingdom, which saw increases of 43.2 percent and 38.4 percent, respectively. Of the major destinations, only Korea saw a decrease in exports from New England. The smallest increases went to the region's top two destinations, Canada (3.6 percent) and Germany (4.8 percent). Exports to the remaining top destinations showed double-digit rates of growth.

Most of the region's major exporting industries showed strength in 2008, but the winners were primary metals (a whopping 78.2 percent growth),

waste & scrap (an increase of more than 50 percent), and miscellaneous manufacturing (up 31.1 percent). Machinery and electrical equipment, appliances, & components were the only industries to show declines in exports, although they were minor (2.0 percent and 1.0 percent, respectively).

## Overall Economic Activity

According to the Coincident State Indexes of the Federal Reserve Bank of Philadelphia, economic activity contracted in New England during 2008. The nation as a whole saw a 1.2 percent decline between December 2007 and December 2008. Although declines were steeper among all the New England states but Massachusetts and New Hampshire, the region's worst performance—a 4.5 percent decline in Vermont—did not come close to that among the 50 states: a 14.3 percent plunge in Oregon. In fact, the drops in each of the six New England states escaped the bottom-quintile performances for all 50 states.

—Tom DeCoff

## Connecticut

- Connecticut saw further deterioration in employment in 2008, as total employment fell and the unemployment rate rose.
- The construction industry continued to contract, with sharp declines in employment and new residential construction contracts in 2008, but with a small bright spot in the growth of nonresidential contracts.
- Connecticut's exports remained a strong part of its economic performance.
- Connecticut retained its top spot in the nation in per capita income, although the state's per capita income grew at a slower rate than the region's and the nation's.

Connecticut lost more than 30,000 jobs—a 1.8 percent decline—from December 2007 to December 2008, a smaller drop than in both the region and the nation as a whole. The construction sector was the hardest hit, with the number of jobs declining by 14.8 percent, accounting for nearly a third of Connecticut's job losses. Other industries with large job losses include professional & business services (9,000 jobs, 4.3 percent) and retail trade (11,900 jobs, 6.2 percent). One bright sector was education & health services, which added about 7,600 jobs (2.6 percent), outpacing growth in that sector in all other New

England states except New Hampshire. Connecticut's leisure & hospitality sector also bucked the regional and national trends, adding around 1,700 jobs (1.2 percent).

The Constitution State ended 2008 with an unemployment rate of 6.6 percent, up from 4.9 percent in December 2007. While this rate was second-highest in the region, it was substantially lower than Rhode Island's rate of 9.4 percent and below the national average rate of 7.2 percent. The rise in unemployment reflects across-the-board job losses in most sectors, particularly the construction industry. Of the six New England City and Town Areas (NECTAs) in Connecticut for which data are available, five had higher unemployment rates in December 2008 than the state as a whole, ranging from 6.8 percent in Bridgeport-Stamford-Norwalk to 9.3 percent in Waterbury. The lone exception—Danbury—ended 2008 with an unemployment rate of 5.9 percent. A 21.9 percent rise in average weekly unemployment insurance claims further illustrates Connecticut's deteriorating employment picture in 2008.

Despite the rise in unemployment, total statewide personal income rose 1.2 percent (\$2.3 billion) between the fourth quarters of 2007 and 2008; this growth rate was the lowest in the region, and below the national average. Likewise, Connecticut's per capita income rose, but at a slower rate than in the region and the nation. Nonetheless, Connecticut retained its status as having the country's highest per capita income, at around \$56,000. Wage and salary disbursements grew 1.6 percent, in line with national and regional increases of 1.6 percent and 1.5 percent, respectively.

Connecticut's exports continued to be a strong component of the state's economy, growing 11.0 percent between 2007 and 2008, after a 12.7 percent growth between 2006 and 2007. Connecticut had the fourth-highest growth in exports among the six New England states, but slightly trailed the regional and national averages. Among Connecticut's three largest exporting industries, transportation equipment and chemicals saw export values rise by 11.0 percent and 8.8 percent, respectively, while exports of machinery saw a 4.0 percent decline in 2008.

Although Connecticut continued to enjoy strong exports in 2008, the state felt the effects of the nationwide decline in the housing market. Connecticut's FHFA home price index fell 4.2 percent from the fourth quarter of 2007 to the fourth quarter of

2008. This was worse than the declines seen nationally and in New England as a whole. Sales of existing homes dropped over 20 percent between the fourth quarters of 2007 and 2008—a steeper decline than the 17.0 percent drop seen the previous year. This decline was the second-highest among the five New England states for which data are available. While median home prices in the metropolitan areas of Bridgeport-Stamford-Norwalk and Hartford-West Hartford-East Hartford rose between 2006 and 2007, prices fell between 2007 and 2008.

Total housing permits also fell 28.0 percent from 2007 to 2008, marking the state's fourth straight year of decline, and the largest decline since 1990. The average value of construction contracts also fell 13.6 percent between 2007 and 2008, driven by a 27.6 percent decline in residential contracts. Connecticut did see a slight increase (2.8 percent) in nonresidential contracts for the year—one of only two New England states to do so.

While rising export volume and high per capita income buoyed Connecticut's economy, the deterioration of the housing market and decline in employment slowed the state's economy over the course of 2008. According to the Federal Reserve Bank of Philadelphia's State Coincident Indexes, Connecticut's economic activity cooled, dropping 1.9 percent from December 2007 and December 2008. This value is on par with the other New England states, but represents a larger decline than seen nationwide.

—*Michael O'Mara*

## Maine

- Maine saw job losses in all major industries except education & health services in 2008.
- The state's per capita income was the lowest in New England and ranked 33rd in the nation.
- Maine's housing market softened considerably, although the drop in home prices was not as severe as declines seen regionally and nationally.
- Overall economic performance fell steeply from the prior year.

Following modest job growth in 2007, Maine saw employment fall in 2008, shedding 15,400 jobs over the course of the year. The 2.5 percent drop in total employment surpassed declines felt regionally (2.0 percent) and nationally (2.2 percent), reflecting job

losses in almost all of Maine's major industries. In line with regional trends, the steepest drops occurred in construction, which shed 3,000 jobs for a decline of 9.7 percent; manufacturing (2,500 jobs, or 4.2 percent); and retail trade (3,400 jobs, or 3.9 percent). Other sectors with significant job losses included leisure & hospitality and financial activities, which showed drops of 3.3 percent and 2.4 percent, respectively. The only major industry to report job gains was education & health services, which added 1,300 jobs for an increase of 1.1 percent.

The state's unemployment rate reflected these job losses, rising from 4.7 percent in December 2007 to 6.5 percent in December 2008. Maine closed the year with an unemployment rate marginally above that of New England (6.4 percent) but below that of the United States (7.2 percent). While the state's jobless rate was in the middle of the pack regionally, its 34.5 percent hike in average initial claims for unemployment insurance was the steepest among the New England states.

Average hourly earnings for manufacturing workers in Maine grew \$0.55 in 2008, to \$19.74. This 2.9 percent rise was on par with the national growth rate but below the 4.1 percent regional increase. Total personal income for all workers in Maine climbed 3.3 percent between the fourth quarters of 2007 and 2008, with wage and salary disbursements rising 2.5 percent. The rates of increase in both were the highest in New England and surpassed the comparable national rates. Per capita income also rose 4.1 percent between 2007 and 2008—the largest rate of growth in New England. Despite that increase, the level of per capita income in the Pine Tree State remained the lowest in New England, and at \$35,381, was more than \$10,000 below the regional average (\$48,715). Nationally, Maine inched upward only one ranking among the 50 states, from 34th in 2007 to 33rd in 2008.

Maine's housing market weakened significantly in 2008, although house prices held up better in the Pine Tree State than in New England and the nation as a whole. The FHFA home price index for Maine fell 2.1 percent between fourth quarter 2007 and fourth quarter 2008, compared with a 3.6 percent decline regionally and a 3.8 percent drop nationally. The median sales price of a home in the Portland-South Portland-Biddeford metropolitan area fell \$27,600—slightly more than the national decline. Statewide, the number of existing homes sold de-

creased 19.0 percent in the same time period. The average number of housing permits tumbled 39.1 percent between 2007 and 2008, the largest decrease seen in New England. Construction contracts, bolstered by a rise in nonbuilding projects, showed the smallest drop regionally, falling 8.2 percent. The rate of foreclosure starts continued its rise from the previous year, and as in the rest of the New England states, the rate of serious delinquencies—loans 90 days past due or in the foreclosure process—reached a new peak in the fourth quarter of 2008. Both rates were higher than their regional counterparts but below their national counterparts.<sup>4</sup>

The value of Maine's exports grew between 2007 and 2008, but at the second-slowest rate (9.5 percent) among the New England states, ahead of only Vermont, which saw a decline. The state's largest exporting industry, computer & electronic products, saw a \$20 million (2.2 percent) drop in exports during the year. This decline was more than offset by a \$60 million (10.8 percent) growth in exports of paper, and a staggering \$232 million (123.4 percent) jump in exports of transportation equipment. Exports to Canada and Malaysia—the state's top two destinations in 2007—rose modestly (4.0 percent and 5.5 percent, respectively). Meanwhile, the value of exports to China, the third-largest destination for Maine, fell 14.3 percent.

Drops in employment and a softening in the housing sector led the deterioration of Maine's economic performance, with indicators for the Pine Tree State generally following or lagging regional trends in 2008. Additionally, the Philadelphia Fed's State Coincident Indexes showed that Maine's overall economic activity fell 3.6 percent from December 2007 to December 2008, one of the largest declines among the New England states.

—Charu Nidhi Gupta

## Massachusetts

- Massachusetts saw weakening in employment over the course of 2008, but fared better than New England and the nation as a whole in job losses.
- Housing indicators declined in Massachusetts, reflecting the nationwide housing market turmoil, with house prices falling slightly faster than the region, but slower than the nation as a whole.
- Massachusetts continued to see strength in exports, with growth in two of its three largest exporting sectors.

Massachusetts saw employment decline 1.8 percent from December 2007 to December 2008, as the state lost more than 60,000 jobs, although the state's rate of decline was less than the regional and national rates over the same period. With the exception of education & health services and government, Massachusetts saw across-the-board declines in sectoral employment. Large losses occurred in construction (13,900 jobs, 10.2 percent), manufacturing (10,400 jobs, 3.6 percent), and retail trade (11,200 jobs, 3.2 percent). The 4.9 percent contraction in financial activities (11,000 jobs) was the worst among the New England states. In 2008, Massachusetts added 5,100 jobs in government and 11,100 jobs in education & health services (1.2 percent and 1.8 percent growth, respectively).

The Bay State's unemployment rate rose 1.9 percentage points, from 4.5 percent in December 2007 to 6.4 percent in December 2008. The Commonwealth's rate of joblessness matched that of the region, but was lower than the national rate. At the local level, six of the seven NECTAs for which data are collected ended 2008 with higher unemployment rates than the statewide rate, ranging from 6.9 percent in Pittsfield to 9.9 percent in New Bedford. Average statewide claims for unemployment insurance rose 15.6 percent between 2007 and 2008—the smallest increase among the New England states, and a much slower pace than the nation's.

Despite rising unemployment in Massachusetts, average hourly earnings for manufacturing workers in the state grew by more than a dollar (5.7 percent) to \$20.36—well above the national average, and second among New England states. Likewise, Massachusetts enjoyed a 3.6 percent increase in per capita income, to \$50,735, retaining its place as 3rd highest in the nation, behind only Connecticut and New Jersey.

Massachusetts continued to feel the effects of the national decline in the housing market. According to the FHFA, home prices in Massachusetts fell 3.5 percent between fourth quarter 2007 and fourth quarter 2008. Median home prices fell in four of the five metro areas for which data are available; prices rose only in Pittsfield.

Similarly mirroring the troubled housing market nationwide, the number of existing homes sold in Massachusetts declined 6.9 percent from the fourth quarter of 2007 to the fourth quarter of 2008—a smaller drop than in the other New England states for which data are available, but larger than seen in the country

as a whole. Housing permits declined for the third straight year, with 37.7 percent fewer permits issued in 2008 than in 2007, signifying the largest decline since 1974. Likewise, the average value of construction contracts declined by 15.0 percent from 2007 to 2008—a decrease driven mostly by a 42.4 percent drop in residential contracts.

The value of exports from Massachusetts was 11.6 percent higher in 2008 than in 2007, a growth rate just below the national average. Two of the Bay State's largest exporting industries saw export values rise: exports of computer & electronic products and chemicals rose 1.5 percent and 4.3 percent, respectively. Exports of machinery, another major exporting industry, declined 9.3 percent.

Massachusetts' weaker employment and declining housing market contributed to decreased economic activity over the course of 2008. According to the Federal Reserve Bank of Philadelphia's State Coincident Indexes, Massachusetts' economic activity fell by 1.1 percent. However, that downturn was less severe than nearly all other New England states and the nation as a whole.

—*Michael O'Mara*

## New Hampshire

- New Hampshire's manufacturing and construction sectors saw severe contractions in 2008.
- The state's real estate market continued to deteriorate.
- Relatively minimal job losses, low unemployment, and record exports helped New Hampshire weather the recession better than other New England states.

Feeling the pain of the national recession, the Granite State still managed to fare better than most New England states and the nation as a whole in 2008. Reaching peak employment in January 2008, New Hampshire lost 11,000 jobs over the remainder of the year. However, the 1.4 percent contraction between December 2007 and December 2008 was the least severe among all the New England states, and not as steep as in the nation as a whole.

Job losses pervaded most major industries in New Hampshire during 2008. The construction and manufacturing industries saw the worst declines, losing 14.1 percent (3,800 jobs) and 6.6 percent (5,100 jobs), respectively. Other major industries lost a total of 4,700 jobs. Two sectors offset some of those losses by add-

ing jobs: employment in the government sector grew by 2.9 percent (2,700 jobs), while the Granite State's education & health services sector led New England by growing 3.5 percent (3,600 jobs) during 2008.

Despite these job losses, New Hampshire continued to post the lowest unemployment rate in New England, and the sixth-lowest in the nation, at the end of 2008. The state's unemployment rate rose from 3.5 percent in December of 2007 to 4.3 percent in December of 2008, but remained 2.9 percentage points below the national average. The Granite State did see a 30.8 percent spike in average weekly initial unemployment claims. This closely matches the rise in claims seen at the national level, but was well above New England's average growth rate of 19.9 percent.

Job losses were not the only area of concern for New Hampshire's manufacturing and construction industries. The average weekly hours worked in manufacturing dropped by 3.7 percent (1.5 hours)—almost four times the regional and national rates of decline. Besides working fewer hours, manufacturing workers saw their average hourly earnings remain nearly stagnant in 2008, rising just 1.1 percent, compared with 4.1 percent regionally and 2.9 percent nationally. Construction contracts were down by 27.1 percent in the Granite State in 2008, declining at nearly double the pace in New England and the nation as a whole. This contraction was due largely to severe reductions in nonresidential contracts (19.1 percent) and nonbuilding contracts (35.3 percent).

New Hampshire's residential real estate market continued to reflect the strain of the national housing crisis in 2008. The state's FHFA home price index fell 4.0 percent between the fourth quarters of 2007 and 2008—the largest year-over-year decline since 1991. The 6.6 percent drop in the FHFA purchase-only index was more severe, but not as marked as the national decline. Housing permits reached their lowest level since 1992 in the Granite State, with an annual average of 270 permits in 2008. Though steep, this 26.0 percent plunge from the 2007 average was the smallest among the New England states. However, the 39.0 percent year-over-year decrease in single-unit housing permits was on par with regional and national trends.

Breaking the record in 2007 of \$2.9 billion, exports from the Granite State grew by \$831 million to a \$3.7 billion high in 2008.<sup>5</sup> This growth amounted to a year-over-year rate of 28.5 percent, more than

double that seen in New England and the nation as a whole. Growth in computer & electronics exports—up 55.8 percent, or some \$444 million—accounted for more than half this record increase. The electric equipment, appliances, & components industry was another large contributor to growth in 2008, with exports in this sector rising by a staggering 86.0 percent, to \$148 million. Exports to China grew by 20.6 percent in 2008, leapfrogging it from the state's fourth-largest destination in 2007 to the second-largest destination in 2008.

Declining payroll employment, severe contractions in the construction and manufacturing sectors, and a deteriorating housing market made 2008 a difficult year for New Hampshire. Buoyed by record exports and a relatively low unemployment rate, however, the state managed to weather the recession better than most states. According to the Philadelphia Fed's State Coincident Indexes, economic activity in New Hampshire slipped 0.9 percent between December of 2007 and December of 2008—a smaller decline than in any other New England state, and in the nation as a whole.

—Robert Clifford

## Rhode Island

- Rhode Island had the second-highest unemployment rate of all states in the nation at the end of 2008.
- Continuing declines in the housing market left Rhode Island with the highest foreclosure rate in the region in every conventional loan category.
- The value of exports from Rhode Island grew at a faster rate than in nearly every state in the region.

The Ocean State was hit hard by the national recession and credit crisis in 2008, as Rhode Island payrolls lost 17,200 jobs during the year. This 3.5 percent loss tied with Vermont as the highest in the region, and was 1.3 percentage points above the national average. Most of Rhode Island's major industries experienced job losses at higher rates than both the region and the nation as a whole. The highest rate of job loss occurred in the construction industry, which saw a decline of 11.7 percent (2,500 jobs) during the year, as this industry fared poorly throughout the region. Rhode Island's retail trade and manufacturing industries both experienced substantial job losses as well, with declines of 7.5 percent (3,800 jobs) and 7.3 percent (3,600 jobs), respectively. That was the steepest decline in retail trade jobs in New England, and the second-largest drop in manufacturing jobs, after Vermont.



Rhode Island's unemployment rate, already the highest in the region by the end of 2007, skyrocketed to 9.4 percent in December 2008—3.0 percentage points above the regional average, and the second-highest in the nation, after Michigan. Average weekly unemployment claims in Rhode Island, after rising by more than twice the regional and national rates between 2006 and 2007, grew by 15.8 percent during 2008, although they trailed the regional and national increases.

Workers in the manufacturing sector worked and earned less in Rhode Island than in other New England states in 2008. At \$13.84 per hour, the state's average hourly earnings in that sector were the lowest in the region, trailing the regional and national averages by \$5.69 and \$3.82 per hour, respectively. And Rhode Island's average hourly earnings in that sector rose just 1.1 percent in 2008, compared with regional and national increases of 4.1 percent and 2.9 percent, respectively. Declining 2.2 percent from 2007, average weekly hours for those workers in Rhode Island continued to be the lowest in the region (38.3 hours).

Personal income in Rhode Island grew by 1.6 percent between the fourth quarter of 2007 and the fourth quarter of 2008, representing the second-smallest increase in the region. Per capita income in Rhode Island rose by 3.0 percent, remaining the fourth-highest in the region, at \$41,008. On the national level, Rhode Island's ranking in per capita income rose from 17th in 2007 to 15th in 2008. However, wage and salary disbursements in Rhode Island were nearly stagnant, rising by 0.1 percent between the fourth quarter of 2007 and the fourth quarter of 2008. That growth rate was the lowest in the region, and 1.5 percentage points below the national rate.

Rhode Island's real estate market depreciated dramatically between the fourth quarter of 2007 and the fourth quarter of 2008. The FHFA home price index for Rhode Island declined by 8.0 percent—more than double the rate seen regionally and nationwide. The state's already grim foreclosure situation worsened in 2008, leaving Rhode Island with the highest foreclosure rate in the region in every conventional loan category, exceeding the national average.<sup>6</sup> Meanwhile, the average number of housing permits in Rhode Island plummeted 39.0 percent between 2007 and 2008. Nonetheless, the 11.8 percent decline in sales of existing homes between the fourth quarter of 2007 and the fourth quarter of 2008 was not as severe as in the prior year.

A 46.3 percent decline in the average value of residential construction contracts in 2008 underscored Rhode Island's housing market troubles. While this decline was the steepest in the region, the 12.6 percent drop in the state's total construction contracts was not as sharp as that in the region and the nation as a whole. The dramatic doubling of the value of nonbuilding construction contracts in Rhode Island attested to this relative strength.

Despite poor labor and housing markets, the value of exports from Rhode Island grew by 20.0 percent between 2007 and 2008, the second-highest rate in the region. Exports from two of Rhode Island's major exporting industries—waste & scrap, and miscellaneous manufacturing—accounted for most of the increase, growing 31.3 percent and 48.0 percent, respectively. Exports of computer & electronic products, which had risen 20.0 percent between 2006 and 2007, declined by 13.0 percent between 2007 and 2008. Exports to Rhode Island's three largest destinations also grew during 2008. Exports to Canada, Rhode Island's largest destination market, grew by 9.0 percent, while exports to the United Kingdom and Germany surged 79.2 percent and 22.7 percent, respectively.

The convergence of severe unemployment, housing market troubles, and contraction of employment in key industries hit Rhode Island hard in 2008. According to the Philadelphia Fed's State Coincident Indexes, Rhode Island's economic activity declined by 3.9 percent between December 2007 and December 2008.

—*Yael Shavit*

## Vermont

- Vermont suffered the sixth-worst rate of job loss in the United States. However, the state's year-end unemployment rate was the second-lowest in New England.
- Although the state's foreclosure and serious delinquency rates deteriorated, they remained the lowest regionally.
- For the third straight year, Vermont was the only New England state to experience decreased exports.
- Vermont's index of economic activity posted the sharpest decline in New England.

The Green Mountain State saw its labor market continue to tighten in 2008, losing a total of 10,900 jobs—a decline of 3.5 percent. Tying Rhode Island

for the highest rate of job loss in New England, Vermont also outpaced the nation as a whole, with only five other states seeing steeper drops in employment. More than half of Vermont's job losses were concentrated in its construction and manufacturing sectors, which shed 2,600 jobs (16.0 percent) and 2,900 jobs (8.1 percent), respectively. Decreases also occurred in retail trade (6.7 percent), professional & business services (4.4 percent), leisure & hospitality (3.9 percent), and financial activities (2.3 percent). The percentage drops in construction, manufacturing, and leisure & hospitality were the worst in New England, and only Rhode Island showed a steeper fall in retail trade. The only major sectors in Vermont to experience slight job growth were education & health services (1.9 percent) and government (0.2 percent), but these increases trailed both regional and national rates.

Although Vermont suffered extensive job loss, its unemployment rate—which rose to 5.9 percent in December 2008—was considerably below the national rate of 7.2 percent and remained one of the lowest in New England, second only to that of New Hampshire. However, the average number of initial claims for unemployment insurance attested to the high rate of job loss: those claims climbed 21.1 percent in 2008, after rising about 2.0 percent in 2007.

Vermont's manufacturing workers saw average hourly wages edge up a slight \$0.02 in 2008, to \$16.52. Though hourly earnings in Vermont were still higher than those in Rhode Island, the 0.1 percent increase was lower than those in the other New England states, the region as a whole, and the nation.

Meanwhile, total personal income for all workers in Vermont rose 2.5 percent from fourth quarter 2007 to fourth quarter 2008, with wages and salaries rising 1.8 percent. Per capita income also grew 3.7 percent in 2008, to \$38,880. That growth rate was the second-highest in New England, behind only Maine's, and also topped the United States' 2.9 percent rise. However, Vermont was the only New England state to fall in national rankings of per capita income, from 21st in 2007 to 22nd in 2008.

While most major indicators showed the Vermont economy struggling, housing prices in the Green Mountain State held steady through the end of the year. The FHFA quarterly home price index for Vermont measured a slight 0.6 percent increase from fourth quarter 2007 to fourth quarter 2008, whereas the index saw declines in all other New England

states. Although Vermont's home prices remained relatively stable, sales of existing homes fell a sharp 31.3 percent—the largest drop among the New England states for which data are available, and a much steeper decline than the 5.1 percent felt nationally. Housing permits in Vermont also fell 28.5 percent from 2007 to 2008, while the average value of construction contracts dropped more than 15 percent. Vermont's foreclosure initiation rates also worsened and the rate of serious delinquencies reached an all-time high in the fourth quarter of 2008. Nonetheless, both rates were the lowest in New England and well below the national paces.<sup>7</sup>

For the third consecutive year, Vermont was the only New England state to see a drop in exports. The value of exports fell \$89 million from 2007 to 2008, for a decrease of 2.4 percent. Driving the decline were substantial decreases in exports of computer & electronic products, while fell \$260 million (9.5 percent), and transportation equipment, down \$28 million (22.6 percent). Year-over-year exports of machinery, the state's other major exporting industry, were flat. Of the state's top three exporting destinations, the value of exports to Canada declined 5.0 percent, and exports to Korea plummeted 43.1 percent; exports to Hong Kong, however, rose 7.0 percent.

Substantial job loss, a destabilized housing market, and a declining value of exports contributed to a marked slowdown in the Vermont economy in 2008. The Philadelphia Fed's State Coincident Indexes confirm that the Green Mountain State suffered a significant downturn in overall economic performance. Vermont's 4.5 percent drop in the index between December 2007 and December 2008 was the steepest deterioration among the New England states, and more than three times the national decline.

—Charu Nidhi Gupta

## Endnotes

<sup>1</sup> This article reflects the data available as of June 4, 2009.

<sup>2</sup> The nine Census *divisions* are New England, Middle Atlantic, East North Central, West North Central, South Atlantic, East South Central, West South Central, Mountain, and Pacific.

<sup>3</sup> The *regions* for which the Bureau of Economic Analysis reports data are New England, Mideast, Great Lakes, Plains, Southeast, Southwest, Rocky Mountain, and Far West.

<sup>4</sup> Foreclosure initiation rates are based on data from the *National Delinquency Survey*, sponsored by the Mortgage Bankers Association.

<sup>5</sup> Evangelos Otto Simos, "2008: A record best for N.H. exporters," *New Hampshire Business Review*, March 27, 2009.

<sup>6</sup> Foreclosure initiation rates are based on data from the *National Delinquency Survey*, sponsored by the Mortgage Bankers Association.

<sup>7</sup> *Ibid.*