

An Overview of New England's Economic Performance in 2009

by Heather Brome, Robert Clifford, Michael O'Mara, Elizabeth Mishkin, and Yael Shavit

Like most of the nation, New England continued to suffer economically in 2009. Job losses, rising unemployment, declining personal income, and slumping real estate markets all contributed to one of the worst years for both the national and regional economies. However, while economic conditions were among the worst New England has seen, the region's overall economic performance was better than that of the nation as a whole.¹

At a Glance

- All six New England states lost jobs in 2009, though the region's total rate of job loss was less severe than in the nation as a whole.
- The unemployment rate in December 2009 was at the highest level since August 1976. Still, the region's unemployment rate remained below the national average.
- While sales of existing homes picked up their pace between the fourth quarter of 2008 and the fourth quarter of 2009 in part due to the homebuyer tax credit, home prices and the number of new housing permits still declined.

Employment

New England lost almost 238,000 jobs—or 3.4 percent of its total—between December 2008 and December 2009. The year ended with 6.7 million jobs on the region's payrolls, nearly 370,000 fewer than pre-recession peak employment in March 2008.² Despite these job losses, the region fared better than the nation as a whole, which shed nearly 5.5 million jobs, or 4.1 percent of the total.

Job losses occurred in every major industry save education & health services. The region gained 16,200 jobs in that sector—1.2 percent of employment—between December 2008 and December 2009. Nationally, employment in education & health services grew slightly more, 1.4 percent. Both the regional and the national job growth rates in this sector were

on the order of only one-half of what they had been in the prior twelve-month period.

Construction continued to be the hardest-hit sector in proportion to its size. The region lost 14 percent of its construction employment, or nearly 38,000 jobs. Nationally, construction jobs were also the hardest hit, with a 16.7 percent decline. However, manufacturing lost the largest number of jobs: 62,200 jobs, or 9.3 percent of employment in the sector. New England again fared somewhat better than the nation as whole, which saw a decline of 10.6 percent in manufacturing employment. Within the region, New Hampshire and Rhode Island saw the steepest percent declines in manufacturing jobs.

Nearly every other business sector also suffered in 2009. Collectively, retail trade, financial services, professional & business services, leisure & hospitality, government, and other services shed 118,900 jobs in New England.

Unemployment

Given continued job losses, unemployment in New England climbed from 6.6 percent in December 2008 to 8.9 percent in December 2009—the highest rate of joblessness the region had faced since August 1976. Still, regional unemployment remained below the national average, which grew from 7.4 percent in December 2008 to 10 percent in December 2009. Unemployment in other U.S. Census divisions³ ranged from 7.3 percent in the West North Central region to 11.6 percent in the Pacific region, placing New England close to the middle of the pack.

All New England states saw dramatic year-over-year spikes in initial unemployment insurance claims in 2009. And these spikes followed steep increases in 2008. Average weekly unemployment claims soared to 26,272 in New England—a 30.4 percent increase over 2008. Meanwhile average weekly unemployment claims nationwide skyrocketed 36.2 percent from 2008 to 2009.

Chart 1 - Nonagricultural Employment

Percent Change, December 2008 to December 2009

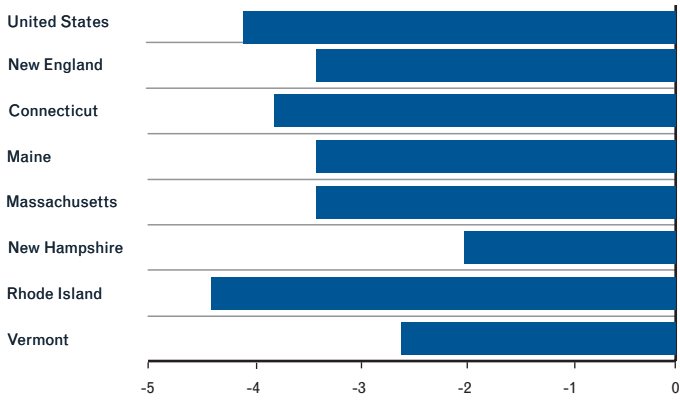


Chart 2 - Employment by Industry

Percent Change, December 2008 to December 2009

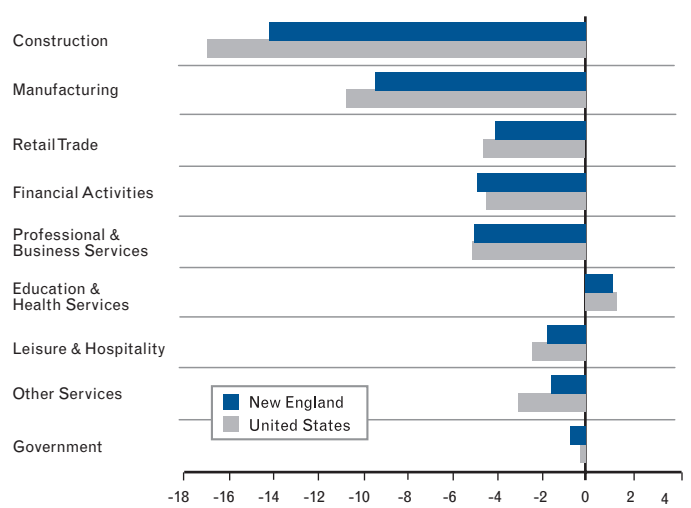


Chart 3 - Unemployment Rate

Percent

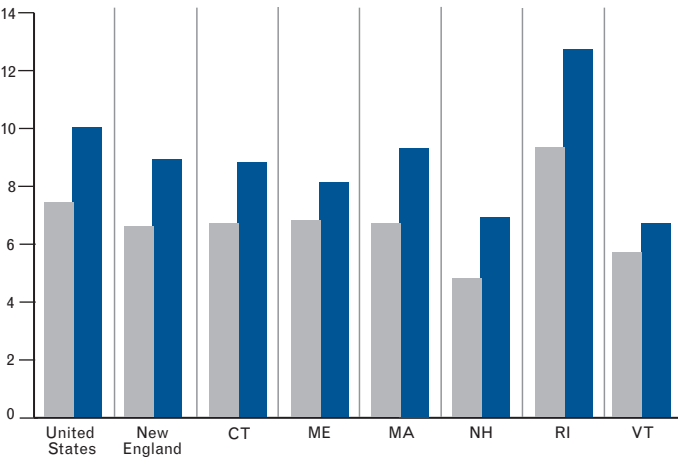


Chart 4 - Regional Unemployment Rate

Percent

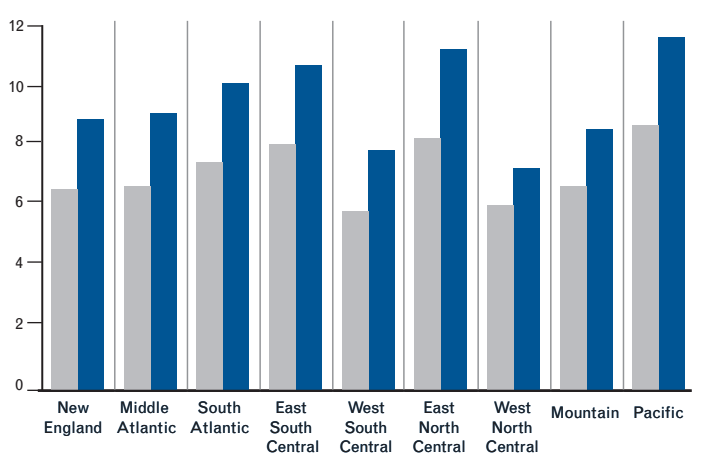


Chart 5 - Per Capita Income

Numbers in Brackets Denote Rank Among 50 States

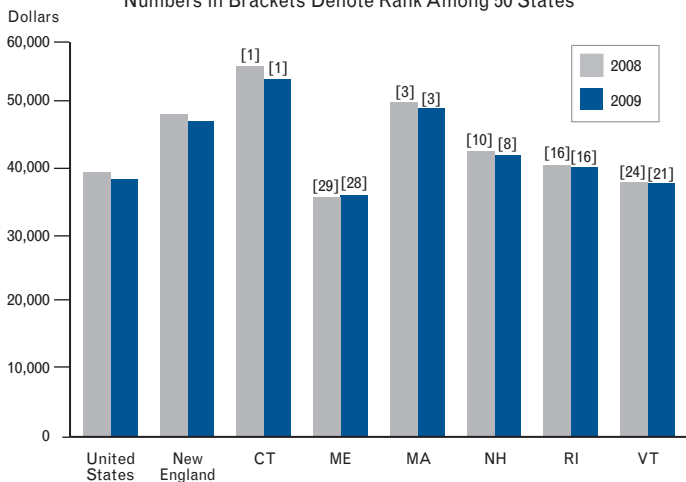


Chart 6 - Regional Per Capita Income

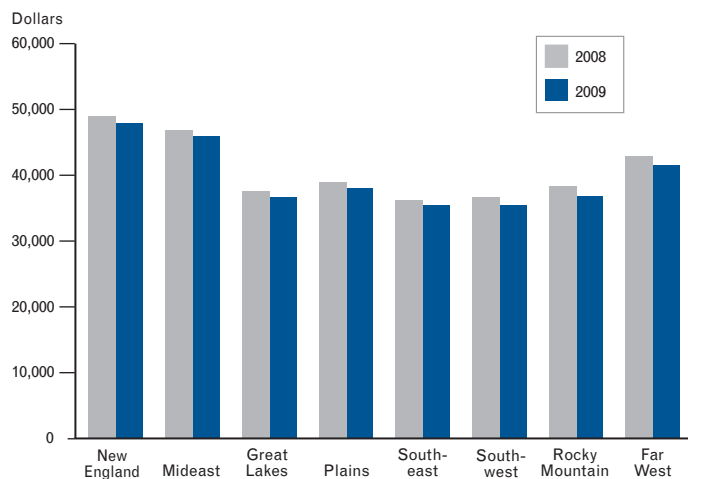


Chart 7 - Consumer Price Index

Percent Change, November 2008 to November 2009

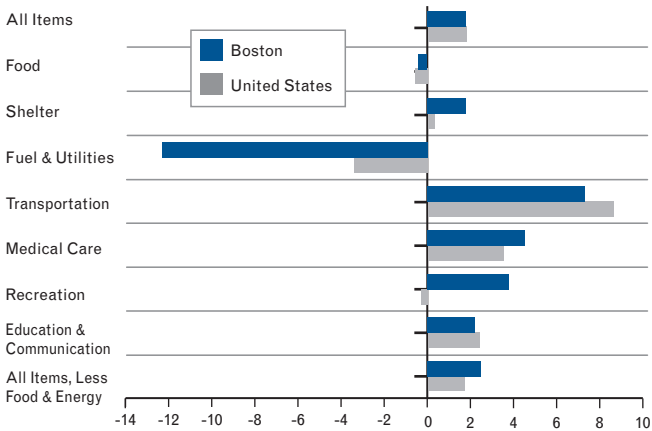


Chart 8 - Housing Permits

Percent Change, 2008 to 2009 (Annual Average)

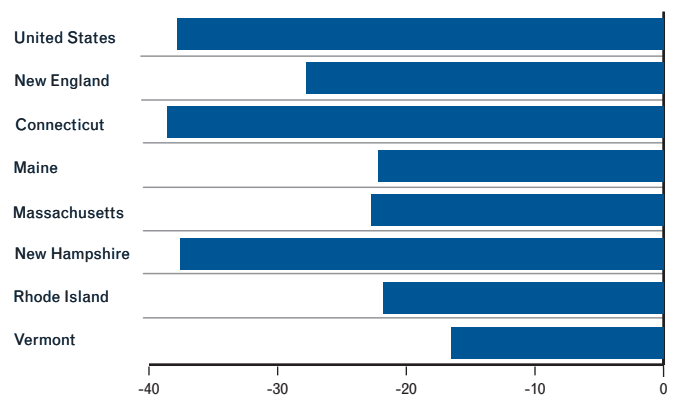


Chart 9 - Merchandise Exports

Percent Change, 2008 to 2009 (Annual Total)

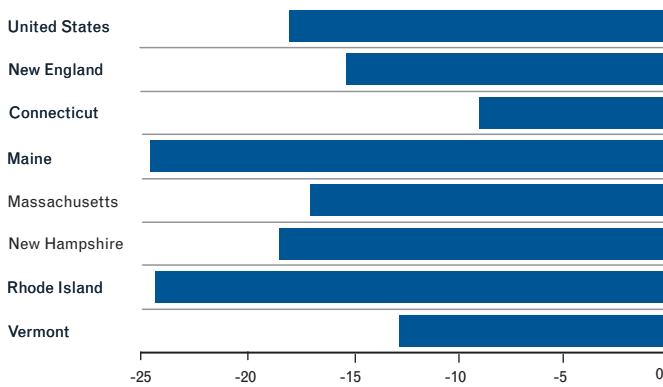
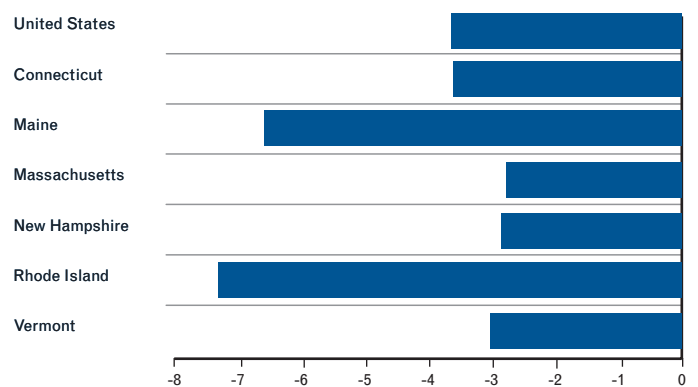


Chart 10 - Economic Activity Index

Percent Change, December 2008 to December 2009



Income and Wages

Total personal income for New Englanders fell 0.9 percent between the fourth quarters of 2008 and 2009. Despite this decline, the region fared slightly better than the nation as a whole (which saw a decline of 1.0 percent), and better than all other U.S. regions⁴ except the Southeast and Mideast. Wage and salary disbursements—the largest component of personal income—fell 4.1 percent in New England.

Despite these income declines, the region maintained the highest per capita income among Census divisions, with Connecticut, Massachusetts, and New Hampshire among the top eight states. Meanwhile New Hampshire, Vermont, and Maine all moved up in their rankings between 2008 and 2009. And while every region saw declines in per capita income, New England's drop of 1.9 percent—or just under \$1,000 per person—was the lowest of any U.S. region, and well below the national average of 2.6 percent.

Employer Costs

New England's private-sector employers saw labor costs rise at rates above the national average between the fourth quarters of 2008 and 2009, but at a slower pace than in recent years. The region's total compensation costs—measured by the employment cost index—rose 1.8 percent during that time, compared with a 1.2 percent national increase. Costs associated with wages and salaries grew more slowly for the region, at 1.6 percent, but slightly faster than for the nation, at 1.4 percent.

Consumer Prices

For the 12 months ending in November 2009, overall consumer inflation in New England⁵ was 1.8 percent—the same as in the nation. Transportation saw the largest price increases in both the region and the nation, after dropping in 2008. Prices for fuel and utilities decreased considerably in the region and somewhat in the nation. Prices for food also de-

clined, albeit modestly.

Residential Real Estate

Residential real estate markets in New England continued to soften in 2009. The Federal Housing Finance Agency (FHFA) House Price Index indicated a 4 percent drop in regional home prices between the fourth quarters of 2008 and 2009—continuing a trend that began in 2007. The decline was not as severe as the national 4.7 percent downturn. And New England landed in the middle of the nine regions: declines in home prices ranged from 8.0 percent in the Mountain region to 0.6 percent in the West South Central region.

Housing permits continued their march downward, with total housing permits in both the region and the nation declining for the fourth straight year. Permits in New England dropped 27.8 percent between 2008 and 2009, with state declines ranging from 16.5 percent in Vermont and Rhode Island to 38.6 percent in Connecticut. The national decrease was 37.8 percent. Single-family units, which have accounted for roughly two-thirds of overall permits in recent years, also fell in both the region and the nation. Those in New England dropped by more than one-fifth between 2008 and 2009.

One bright note in residential real estate was the growth in sales of existing homes between the fourth quarters of 2008 and 2009. The federal homebuyer tax credit—worth up to \$8,000 for first-time buyers and \$6,500 for existing homeowners who move—is a likely factor in the uptick in sales, particularly in the fourth quarter of 2009 when the credit was expanded to existing home owners.⁶ Sales grew 32.7 percent in New England, compared with 25.9 percent in the nation as a whole. Sales of existing homes picked up an astonishing 68.2 percent in Vermont. And even the slowest growth in the region—in Massachusetts—was on par with the national growth rate.

Significant declines in the dollar value of construction contracts from 2008 continued in 2009. Total construction contracts were down 17.5 percent for the region between 2008 and 2009, and 24.4 percent for the nation over the same time period. Residential and non-residential construction both fell significantly, while non-building projects—which include construction of highways, bridges, dams, utility systems, and airports—grew a modest 5.6 percent. Particularly notable was the more than 200 percent growth in non-building construction contracts in

both Vermont and New Hampshire, likely fueled by projects funded by the American Recovery and Reinvestment Act.

Merchandise Exports

In addition to poor labor market and real estate market performances, the region and the nation showed declines in merchandise exports. In 2009, the value of exports from New England fell to \$47.6 billion, from \$56.1 billion in 2008—or by 15.2 percent. The value of exports from the nation fell 17.9 percent over the same period. Exports declined from all New England states, with the steepest declines occurring in Maine (24.6 percent), and the shallowest decline occurring in Connecticut (8.9 percent).

Exports fell to all the region's top destinations except the United Kingdom and France. Of the nine top destinations, five saw double-digit declines in the value of exports: Malaysia (33.3 percent), the Netherlands (29.2 percent), Germany (23.9 percent), Japan (23.7 percent), Canada (18.6 percent), and Mexico (11.6 percent). Total merchandise exports were down 17.9 percent for the nation as a whole, and exports to each of the top nine destinations for New England goods and services also dropped for the nation.

Overall Economic Activity

According to the Philadelphia Fed's State Coincident Indexes, economic activity contracted in New England during 2009. The decline for the nation overall was 3.6 percent between December 2008 and December 2009, and every state saw its economic activity decline. However, Massachusetts, New Hampshire, and Vermont experienced some of the smallest drops of all 50 states. Connecticut's performance closely tracked the national average, while Rhode Island and Maine both fared worse than the nation as a whole. Rhode Island experienced a 7.3 percent decline in economic activity—the 44th worst performance in the nation.

—Heather Brome

Connecticut

- Connecticut's labor market continued to weaken in 2009, with large job losses in professional & business services and manufacturing.
- Connecticut saw a large drop in per capita income, but still had the highest level in the nation.
- Housing markets continued to show weakness

as house prices and the value of new residential contracts declined.

- Industrial exports fell sharply in 2009, driven by a large decline in the value of exports of chemicals.

Connecticut lost 63,700 jobs from December 2008 to December 2009—a 3.8 percent decline. This was a smaller decline than seen in the nation as a whole, but larger than the drop for the region. Since peak employment in March 2008, Connecticut has shed 103,400 jobs—6.0 percent of employment. This is the second largest percentage decline among New England states. Eight industries in Connecticut saw year-over-year job losses through December 2009. Proportionally, the construction industry fared the worst, losing 12.4 percent of employment (7,500 jobs). The professional & business services and manufacturing sectors accounted for even larger job losses, shedding 16,800 and 14,400 jobs, respectively. The education & health services sector added 3,300 jobs (1.1 percent).

The Constitution State's unemployment rate rose to 8.8 percent in December 2009, from 6.7 percent a year before. Despite the rise in unemployment, Connecticut's jobless rate remains below the regional and national marks. Of the six New England City and Town Areas (NECTAs) in Connecticut for which data are available, three had higher unemployment rates than the state as a whole: 9.0 percent in New Haven, 9.1 percent in Hartford-West Hartford-East Hartford, and 12.3 percent in Waterbury. With unemployment rates between 8.2 and 8.6 percent, Norwich-New London, Bridgeport-Stamford-Norwalk, and Danbury fared better than the state as a whole.

Along with a rising unemployment rate, Connecticut saw a 30.9 percent increase in average weekly initial claims for unemployment insurance—a total of 6,802 filings per week—in 2009 as compared with 2008. That percentage increase was similar to the regional total.

Mirroring the state's weakening labor market, total personal income and wage & salary disbursements dropped by 2.2 and 4.8 percent, respectively, from the fourth quarter of 2008 to the fourth quarter of 2009. On a per capita basis, income in the Nutmeg State fell by 3.3 percent over the course of 2009 to \$54,397. That decline is the largest seen by any New England state, and outstrips the national pace. Personal income declines were from both sharp declines in dividends and interest earnings and falling net

earnings, particularly in the financial services industry and construction industry. However, Connecticut retained its highest-in-the-nation position for per capita income. The state's high concentration of residents employed in financial services, despite drastic declines in bonuses in 2009, still boosted personal income to well above the nation as a whole.

Connecticut's housing market troubles continued through 2009. The FHFA's House Price Index fell 4.7 percent through the fourth quarter—a steeper drop than seen in the region as a whole and on pace with the national decline. Median home prices dropped in all four metropolitan areas for which data are available, ranging from a modest 1.4 percent decline in New Haven-Milford to a 6.5 percent drop in Norwich-New London.

While home prices continued to drop in Connecticut, existing home sales volumes saw a significant rebound from 2008 levels. Total existing home sales in the fourth quarter of 2009 were 34.3 percent higher than in the same period in 2008. This rise was similar to the increase for the New England region. However, new home construction continued to slow. The average number of housing permits issued in 2009 was 38.6 percent lower than in 2008. This was the fifth consecutive yearly drop, and the 2009 level is only 27.8 percent of the level in 2004.

As hinted at by the persistent decline in housing permits issued, Connecticut's construction industry continued to see weak activity through 2009. The value of contracts for residential construction declined by 35.5 percent from 2008 to 2009, the second largest decline among the New England states, and a steeper decline than in the nation. Total construction contracts—including non-residential construction—fell in value by 20.8 percent in 2009.

Connecticut's exports declined by \$1.4 billion (8.9 percent) in 2009, after expanding in 2008. However, this rate of decline was the smallest in New England, and less severe than seen nationwide. Of Connecticut's three largest exporting sectors, exports of machinery and chemicals declined by 7.5 and 47.1 percent, respectively, and accounted for about two-thirds of the statewide decline, while exports of transportation equipment rose by a modest 0.6 percent. Of the top three international destinations for Connecticut's goods, the value of exports to Canada and Germany declined by 24 and 25 percent, respectively, while exports to France expanded by 55 percent.

Weakness in Connecticut's labor market, declining personal income, and persistent declines in home prices and new residential construction detail the Nutmeg state's continued sluggish economic activity in 2009. According to the Federal Reserve Bank of Philadelphia's State Coincident Indexes, economic activity in Connecticut declined by 3.6 percent. That drop put Connecticut in the middle of the pack among New England states, and on track with the nation as a whole.

—*Michael O'Mara*

Maine

- Per capita income in Maine was the lowest in New England in 2009, and the state ranked 28th among all states in the nation.
- Unlike the situation in most of the other states in the region, Maine residents experienced growth in personal income between fourth quarter 2008 and fourth quarter 2009. Increases in government transfer payments outweighed declines in other income sources.
- Maine's overall economic activity fell steeply in 2009, according to the Philadelphia Fed index.

Maine continued to see declining employment in 2009, shedding 20,700 jobs. That 3.4 percent drop is in line with the regional decline, but less than that of the nation as a whole.

Declines in total employment reflect job losses in most of Maine's major industries—except the education & health services and leisure & hospitality industries, which saw modest job growth. The steepest rate of employment decline occurred in the construction industry, which saw a drop of 13.1 percent (3,600 jobs). However, that decline was below both the regional decline (14.0 percent) and the national decline (16.7 percent) in that sector.

Maine's manufacturing and retail trade industries lost the largest numbers of jobs, shedding 5,300 (9.4 percent) and 3,700 (4.4 percent), respectively. In both sectors, employment declined at faster rates than the regional averages but slower than the national averages.

Maine's unemployment rate continued its rise, from 6.8 percent in December 2008 to 8.1 percent in December 2009. However, while not the smallest increase among New England states, the end-of-2009 jobless level was below the regional rate (8.9 percent)

and the national rate (10.0 percent). The 41.7 percent rise in average weekly initial claims for unemployment insurance (to 2,315 claims) between 2008 and 2009 was higher than both the regional increase of 30.4 percent and the national increase of 36.2 percent.

Maine residents enjoyed a 1.5 percent increase in personal income between the fourth quarter of 2008 and the fourth quarter of 2009. Meanwhile, all other states in the region except Vermont (with a 0.2 percent increase) saw personal income decline. While wage and salary disbursements fell by 2.1 percent in Maine, this represented the smallest decline in the region. Transfer payments increased 13.0 percent, and accounted for nearly one-quarter of total Maine personal income in 2009, more than in any other New England state. The largest components of transfer payments are Social Security, Medicare, and Medicaid benefits.

Maine was the only New England state to see rising per capita income—which grew by 1 percent between 2008 and 2009. Nevertheless, Maine posted the region's lowest per capita income by far in 2009. At \$36,745, it was more than \$10,000 lower than the regional average (\$47,994) and some \$2,000 lower than the national average (\$39,138). Maine sits in the middle of the pack nationally, ranking 28th in per capita income.

Maine's housing market continued to weaken in 2009. The FHFA's House Price Index for the state fell 4.4 percent between the fourth quarter of 2008 and the fourth quarter of 2009—somewhat faster than the regional decline (4.0 percent), but slower than the national decline (4.7 percent).

The number of existing homes sold in Maine rose 42.6 percent during that period, compared with 32.7 percent in the region and 25.9 percent in the nation. However, the number of housing permits in Maine continued to plummet, dropping 22.2 percent in 2009, after falling 39.0 percent the previous year. Still, housing permits declined even faster in the region and the nation in 2009—by 27.8 percent and 37.8 percent, respectively.

The median sales price of a home in the Portland–South Portland–Biddeford metropolitan area fell by \$8,600 to \$205,900 in 2009. While that price is above the national median of \$172,900, it is one of the lowest among metropolitan areas in New England.

The value of construction contracts in the Pine Tree

State fell by 24.1 percent—more than the regional decline of 17.5 percent, and similar to the national decline. Maine’s decline reflects polarized performance in residential and non-residential construction. Residential construction contracts in Maine experienced the only increase in the region, rising 1.5 percent, compared with a 24.8 percent regional decline and a 30.8 percent national decline. On the other hand, non-residential construction contracts in Maine plummeted by 47.0 percent—20 percentage points more than the regional decline, and second in the region to Rhode Island.

The Pine Tree State experienced the largest drop in total exports, at 24.6 percent. Dramatic declines in Maine’s three largest export industries fueled this overall drop. The computer & electronics, paper, and transportation equipment industries experienced declines of 50.3 percent, 25.2 percent, and 18.2 percent, respectively. Meanwhile, exports to Maine’s three largest destination markets dropped substantially in 2009. Exports to Canada fell 4 percent, exports to Malaysia fell 54 percent, and exports to Saudi Arabia dropped 59 percent.

Falling employment, a weak housing market, and a struggling export market continued to slow Maine’s economy during 2009. The Philadelphia Fed’s State Coincident Indexes showed that overall economic activity in Maine fell 6.6 percent from December 2008 to December 2009. That decline is larger than the drop in any other New England state except Rhode Island, and almost twice the regional and national declines.

— *Yael Shavit*

Massachusetts

- The Bay State’s labor market continued to show weakness through 2009, with declines in employment and increases in unemployment keeping pace with the region as a whole.
- While Massachusetts saw an increase in sales of existing homes, house prices continued to drop, and residential construction was slower than in 2008.
- Massachusetts industries saw significant declines in the value of their exports from the state in 2009, after a relatively strong 2008.

Employment in Massachusetts’ industries continued to drop throughout 2009, mirroring regional and national declines. From December 2008 to December 2009, the Massachusetts economy shed 112,000

jobs—a 3.4 percent decrease. This decline was less severe than in the nation, and matched the decline experienced by the New England region as a whole. Since the pre-recession peak in March 2008, Massachusetts has lost 166,700 jobs (5.0 percent).⁷ In 2009 the state saw employment declines in all major industries except education & health services and government. Large losses occurred in construction (19,300 jobs, or 15.5 percent), manufacturing (23,700 jobs, or 8.6 percent), and financial activities (11,500 jobs, or 5.3 percent). The state saw no significant change in the number of government jobs, and saw a moderate increase in employment in education & health services (8,600 jobs, or 1.3 percent).

Unemployment rose in the Bay State over the course of 2009 from 6.7 percent in December 2008 to 9.3 percent in December 2009. This end-of-year figure was lower than the national rate (10.0 percent), but the second highest among New England states, and higher than the rate of unemployment seen by the region as a whole (8.9 percent). At the local level, four of the state’s seven NECTAs experienced higher unemployment than the state as a whole, ranging from 10.2 percent in both Springfield and Worcester to 13.1 percent in New Bedford. Average weekly initial claims for unemployment insurance rose by 24.2 percent over 2009—less than in the nation and the other New England states.

While Massachusetts continued to see job losses, the state’s manufacturing production workers experienced a small yearly increase in hourly earnings of 40 cents, or 2.0 percent. Despite the increase in manufacturing wage rates, overall per capita income fell by 2.0 percent to \$49,875—the second largest drop among the New England states, but smaller than the national decline. The Bay State retained its position as the state with the third-highest per capita income in the nation.

Massachusetts continued to see the effects of the national housing market decline. According to the FHFA’s House Price Index, house prices in the state dropped 3.2 percent from December 2008 to December 2009 following a 4.5 percent decline the previous year. Median home prices fell in three of the five metropolitan areas for which data are available, while the Barnstable and Worcester areas experienced increases in house prices of 3.6 and 2.3 percent, respectively. Pittsfield—the sole area to see rising house prices in 2008—saw a 16.0 percent decline in 2009.

The number of total housing permits issued declined

from 2008 to 2009 by 22.7 percent. The number of single-family building permits fell less sharply—by 10.7 percent. Both declines were less severe than in the region and the nation. However, 2009 was Massachusetts' fifth consecutive year of declines in permits, and the average for 2009 is less than a third of the number issued during the peak year of 2005. Mirroring those declines, the average value of all construction contracts dropped by 21.1 percent in 2009, driven by a 24.7 percent decline in residential construction.

While housing prices and construction declined, existing home sales rebounded through 2009. From the fourth quarter of 2008 to the fourth quarter of 2009, existing home sales rose by 27,000 units (26.4 percent). All of the other New England states experienced larger rebounds in 2009.

The value of total exports from Massachusetts declined by \$4.8 billion, or 16.9 percent in 2009, after rising 11.9 percent in 2008. Among the Bay State's three largest exporting industries, exports of chemicals saw the largest decline of \$1.7 billion—30.2 percent lower than in 2008. The value of exports in computer & electronic products and miscellaneous manufacturing also fell by 15.6 and 12.3 percent, respectively. Among Massachusetts' three main trade partners, the value of exports to the United Kingdom rose by 16 percent, while the value of those to Canada and the Netherlands dropped by 22 percent and 26 percent, respectively.

Continued weakness in labor and housing markets contributed to decreased economic activity in Massachusetts through 2009. As measured by the Federal Reserve Bank of Philadelphia's State Coincident Indexes, economic activity in the state fell by 2.8 percent, after declining 1.9 percent in 2008. However, the 2009 decline was tied for the smallest of the New England states and was less severe than in the nation as a whole.

—*Michael O'Mara*

New Hampshire

- A loss of 9,600 jobs in the manufacturing sector led declining payroll employment.
- The state saw rising unemployment, and substantial increases in claims for unemployment insurance.
- While New Hampshire's economy continued to

weaken in 2009, the recession's impact was less severe than in the region and the nation on employment, personal income, and overall economic activity.

The Granite State's economy continued to feel the effects of the recession in 2009. For example, New Hampshire lost 12,900 jobs between December 2008 and December 2009. However, that 2.0 percent decline in employment was less severe than declines elsewhere in New England and the nation.

The employment drop was led by the manufacturing industry, which lost both the largest share (13.1 percent) and the largest number (9,600) of jobs among major industries in New Hampshire. Other industries seeing employment losses in 2009 include construction (2,600 jobs), financial activities (2,400 jobs), and retail trade (2,500 jobs). Despite tough economic conditions, a number of industries added jobs in 2009. New Hampshire saw employment gains in professional & business services (1,900 jobs), leisure & hospitality (1,100 jobs), government (1,000 jobs), other services (1,000 jobs), and education & health services (600 jobs). The Granite State was the only state in the region to add jobs in professional & business services and other services.

As the state lost jobs, the unemployment rate rose 2.1 percentage points—from 4.8 percent in December 2008 to 6.9 percent in December 2009. Although that joblessness rate was well below regional and national averages, New Hampshire lost the title of lowest unemployment rate in New England to Vermont (6.7 percent). Given job losses, the number of initial claims for unemployment insurance skyrocketed in New Hampshire. The state saw a 64.9 percent increase in such claims, reaching a weekly average of 2,190 in 2009—up from 1,328 in 2008. That was nearly double the rate of increase in the region and the nation.

Total personal income in the Granite State declined by 0.1 percent between the fourth quarters of 2008 and 2009. That decrease was far smaller than those seen across New England and the nation. Similarly, New Hampshire's average wage and salary disbursements—the largest component of personal income—fell by 2.6 percent, less than the declines of 4.1 percent regionally and 4.3 percent nationally. Per capita income in New Hampshire was \$42,831 in 2009, down 1.4 percent. Despite that decline, the state improved its national ranking on per capita income to eighth in 2009, from tenth place in 2008—surpassing

Alaska and California, which saw steeper declines in personal income and marked population growth.

New Hampshire's residential real estate market continued to feel the strain of the national financial crisis in 2009. The FHFA's House Price Index for the Granite State fell 5.8 percent between the fourth quarters of 2008 and 2009. That was the largest decline among New England states, and 1.1 percentage points larger than the drop in the national housing price index. Over the same period, sales of existing homes grew by 28.3 percent in New Hampshire, similar to the national percentage gain. However, average monthly housing permits in the Granite State declined to 170.2 in 2009—a historic low, indicating greatly depressed building activity.

Although both residential and non-residential construction contract values fell at double-digit rates between 2008 and 2009, those declines were offset by a 221.2 percent increase in non-building construction contracts (for projects such as highways, bridges, utility systems and airports). The result was an 11.4 percent year-over-year rise in total construction contracts. The large increase in non-building contracts may reflect the fact that \$147 million of \$717 million awarded to New Hampshire under the American Recovery and Reinvestment Act went to Department of Transportation projects.⁸

As economic conditions weakened global demand, the value of New Hampshire's exports declined by 18.4 percent, or \$691 million, between 2008 and 2009. That drop was in line with regional and national declines. Among the state's largest exporting industries, machinery saw the steepest drop in exports: 35.8 percent (\$311 million). Exports to Canada and China—two of the largest foreign markets for New Hampshire—also fell by 29.9 and 35.7 percent, respectively.

Given declining employment led by a slumping manufacturing sector, rising unemployment rates, a weak housing market, and falling personal income, New Hampshire's economic activity waned in 2009. According to the Philadelphia Fed's State Coincident Indexes, economic activity declined 2.8 percent between December 2008 and December 2009. However, the Granite State's decline was the smallest in the region save Massachusetts, and smaller than those of the region and the nation.

— Robert Clifford

Rhode Island

- Rhode Island had the third-highest unemployment rate in the nation at the end of 2009.
- Continuing declines in the housing market, coupled with job losses and declining personal income, left the state with the region's highest overall foreclosure rate.
- Exports declined at a steeper rate than those from any other New England state except Maine.

Rhode Island continued to suffer from the national recession in 2009, losing 20,600 jobs. That 4.4 percent loss was the highest in New England, and 0.3 percentage points above the national average.

Every major industry in the Ocean State except education & health services shed jobs, and most major industries saw a higher rate of job loss than in the region. Rhode Island's manufacturing industry lost both the largest number and greatest share of jobs: 6,100, or 13.3 percent—the region's steepest decline. The leisure & hospitality and professional & business services industries both saw substantial job losses as well, shedding 7.1 percent (3,600 jobs) and 4.9 percent (2,600 jobs), respectively. This decline in leisure & hospitality jobs was the region's steepest, and the decline in professional & business services was the second-steepest, after the drop in Connecticut.

Rhode Island's unemployment rate continued to skyrocket, and remained the region's highest, at 12.7 percent in December 2009. That figure is 3.8 percentage points above the regional average, and the third-highest in the nation, after Michigan and Nevada. The U.S. Labor Department's broader U-6 unemployment measure indicates that nearly 1 in 5 members of the state's labor force was unemployed, underemployed, or only marginally attached to the labor force. However, Rhode Island's 24.5 percent increase in average initial weekly claims for unemployment insurance was one of the lowest in the region.

Personal income in Rhode Island fell by 0.8 percent between the fourth quarter of 2008 and the fourth quarter of 2009 after growing by 3.4 percent during the previous period. That decline is slightly lower than the regional and national averages. Meanwhile, per capita income in the Ocean State dropped by 0.6 percent, to \$41,003, remaining the fourth-highest in the region and the sixteenth-highest in the nation.

Rhode Island's wage and salary disbursements also fell by 4.8 percent, tying the state with Connecticut for the largest drop in New England. That decline surpassed the regional and national rates by 0.7 and 0.5 percentage points, respectively.

Rhode Island's residential real estate values continued to depreciate in 2009. The FHFA's House Price Index for the Ocean State fell by 5.6 percent between the fourth quarter of 2008 and the fourth quarter of 2009. That decline again surpassed the regional and national drops of 4.0 percent and 4.7 percent, respectively, after declining by more than double the regional and national rates in 2008. However, the state is no longer the worst performer in the region, as it fared slightly better than New Hampshire on that measure.

Rhode Island's sales of existing homes saw a substantial increase of 46.7 percent in this period—surpassing the regional gain by almost 15 percentage points, and the national gain by nearly 20 percentage points. However, the Ocean State continued to suffer from the region's highest overall foreclosure rate in 2009, with the rate especially high on homes with subprime adjustable-rate mortgages.⁹ The total number of housing permits in Rhode Island dropped by 21.8 percent in 2009. Still, that was milder than the 39 percent decline seen in 2008, and the second-lowest in New England, after Vermont.

Continuing declines in the average value of construction contracts attest to Rhode Island's persistent housing market troubles. After plummeting by 34.1 percent in 2008, the value of residential construction contracts fell another 37.3 percent in 2009, compared with a regional decline of 24.8 percent. Total construction contracts posted the region's steepest decline (36.4 percent), despite having fared relatively well the previous year. That decline was fueled by a dramatic 59.7 percent drop in the value of non-residential construction contracts—by far the steepest in New England. Growth in non-building construction contracts, 58.9 percent, offset that decline somewhat.

Beyond these labor market and housing market troubles, Rhode Island experienced the region's second largest drop in the value of total exports—24.3 percent—fueled by substantial declines in the top three export industries. The waste & scrap, miscellaneous manufacturing, and machinery industries posted declines of 26.0 percent, 39.9 percent, and 44.9 percent, respectively. Exports to Rhode Island's three largest

destination markets also dropped, after having risen in 2008. Exports to Canada, the largest market, fell by 14 percent, while exports to the United Kingdom and the Netherlands dropped even more dramatically—by 51 percent and 70 percent, respectively.

The convergence of high unemployment, housing marking troubles, and shrinking industrial employment continued to exacerbate the Ocean State's economic woes. According to the Philadelphia Fed's State Coincident Indexes, economic activity in Rhode Island experienced the worst decline in the region at twice the national rate, dropping 7.3 percent between December 2008 and December 2009.

— *Yael Shavit*

Vermont

- While the pace of job loss in Vermont accelerated in 2009, the state's unemployment rate of 6.7 percent was the lowest in the region and well below the national average.
- A spike in non-building contracts (for infrastructure projects) spurred by the federal stimulus package bolstered construction, but employment in this industry still contracted by 19.2 percent.
- The housing market saw mixed results: the number of housing permits fell by 16.5 percent, but sales of existing homes leaped 68.2 percent after two years of declines.

Vermont continued to shed jobs in 2009, posting a net decline in employment of 2.6 percent (7,900 jobs). However, while job losses were more severe than in 2008, Vermont still fared better than the region and nation in this measure.

More than a third (2,800) of the net job losses in Vermont lost were in the construction industry, which saw employment fall by 19.2 percent. The education & health services industry fared the best, with employment rising by 2.5 percent. Other industries with relatively strong performance included leisure & hospitality (up 1.8 percent) and government (up 0.4 percent), both outperforming the region and the nation. Meanwhile, manufacturing employment fell for the fifth consecutive year, shrinking 9.2 percent.

Unemployment in the Green Mountain State rose by one percentage point in 2009, reaching 6.7 percent in December. As it has been historically, Vermont's unemployment rate was still below the national average

of 10.0 percent. In fact, Vermont tied Montana for the seventh-lowest unemployment rate in the nation, and its rate was also the lowest in New England. Meanwhile, weekly claims for unemployment insurance again rose sharply—by 30.9 percent in 2009.

After expanding modestly in 2008, average weekly hours for manufacturing production workers dropped by 2.8 percent, to 38.3 hours—slightly lower than the national and regional averages. Average hourly earnings of these workers also declined by 10 cents to \$16.41. Since earnings in this sector rose regionwide, the state's wage rates lagged behind the region's by \$3.85 per hour.

Despite growth in total personal income of just 0.2 percent, Vermont outpaced the region and the nation, which suffered decreases in this statistic. However, wage and salary disbursements declined in Vermont for the first time in the 40 years for which data are available—by 3.4 percent. Like Maine, Vermont's increase in overall personal income was due to rising transfer payments, most likely retirement and health care benefits. Per capita income fell by 0.5 percent to \$38,503. Still, the state climbed three places to 21st in the nation on that measure, leapfrogging Nebraska, Florida, and Kansas.

Vermont strongly outpaced the region in sales of existing homes, which rose 68.2 percent in 2009, compared with 32.7 percent growth in New England. Although this represents a substantial rebound after the declines of 2007 and 2008, sales have yet to regain their 2005 and 2006 levels. Meanwhile, the FHFA's House Price Index for Vermont dipped 2.3 percent in 2009 after remaining essentially flat in 2008. Not only did this decline begin later than in the nation and the region (where prices peaked in 2007), but Vermont's average home values dropped only 3.7 percent from their peak, compared with 9.3 percent in the nation and 10.3 percent in the region. Although foreclosures rose 17.4 percent in Vermont in 2009, that pace was milder than the 35.6 percent increase in 2008.¹⁰

Housing permits continued to tumble in 2009, falling by 16.5 percent to an average of 97 per month—just a third of peak levels in 2004. However, this decline was smaller than in the previous year, and less severe than the drops in New England (27.8 percent) and the nation (37.8 percent). The value of Vermont's residential and non-residential contracts also fell by 28.0 and 16.9 percent, respectively. However, the value of non-building contracts (for projects such as highways,

bridges, and airports) more than tripled in 2009. A spike in those contracts in March coincided with the award of roughly \$100 million to Vermont's Department of Transportation under the American Recovery and Reinvestment Act.¹¹

Vermont's export industry fared second-best in the region, suffering a 12.6 percent decline compared with a regional decline of 15.2 percent. The Green Mountain State saw its biggest losses in exports to Hong Kong, whose value fell by \$112 million, or 30.3 percent. The value of exports from two of Vermont's biggest export industries, machinery and computer & electronic products, fell by 6.3 and 9.2 percent respectively.

In a rough year of job losses, rising unemployment, a weak housing market, and declining exports, economic activity in Vermont continued to slow, though somewhat less sharply than in the nation. According to the Philadelphia Fed's State Coincident Indexes, the state's economy faced a decline of 3.0 percent in 2009, compared with a drop of 3.6 percent nationwide.

— Elizabeth Mishkin

Endnotes

- 1 This article reflects the data available as of May 18, 2010.
- 2 Peak regional employment was in January 2001. The region never fully regained the jobs lost in the 2001-2002 recession.
- 3 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.
- 4 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.
- 5 The New England CPI is the Boston-Brockton-Nashua CPI which covers the primary metropolitan statistical areas of Boston, Brockton, Fitchburg-Leominster, Lawrence, Lowell, Manchester, Nashua, New Bedford, Portsmouth-Rochester, and Worcester.
- 6 The homebuyer credit began in spring of 2008 as a \$7,500 credit for eligible first-time homebuyers that they were required to pay back in their taxes over a 15-year period. In the federal stimulus package, the credit was changed to a maximum of \$8,000 and the repayment requirement was dropped. The credit applied to new or existing homes purchased between January 1, 2009 and April 30, 2010. In November 2009, Congress added a \$6,500 credit for existing homeowners looking to relocate.
- 7 Massachusetts experienced a higher peak in employment before the recession in 2001. Since that earlier peak, the Bay State has lost 246,400 jobs.
- 8 State totals by agency are based on data submitted by recipients of stimulus funds from February 17 to December 31, 2009. See <http://www.recovery.gov/>.
- 9 Foreclosure initiation rates are based on data from the National Delinquency Survey, sponsored by the Mortgage Bankers Association.
- 10 Vermont's Department of Banking, Insurance, Securities & Health Care Administration. See <http://www.bishca.state.vt.us/banking/publications-data/vermont-foreclosure-data>.
- 11 State totals by agency are based on data submitted by recipients of stimulus funds from February 17 to December 31, 2009. See <http://www.recovery.gov/>.