
An Overview of New England's Economic Performance in 2010

by Robert Clifford, David Coyne, Julia Dennett, Tal Elmatad, Ryan Kessler, and Lisa Tarquinio

In the first calendar year following the Great Recession, signs of an economic recovery began to take shape across New England. An improving labor market picture, growth in income, indications of a stabilizing housing market, and booming exports spurred economic growth in the region in 2010. As a result, New England's overall performance surpassed that of the nation as a whole.¹

At a Glance

- All six New England states gained jobs in 2010, and the region added jobs at a slightly faster pace than the nation.
- Residential real estate began to show signs of stabilizing, as home prices remained flat, housing permits increased, and residential construction grew, but home sales remained depressed.
- According to the Philadelphia Fed's State Coincident Indexes, growth in economic activity in the six New England states outpaced the national growth rate, ranking them among the top half of state economies in 2010.

Employment

After two consecutive years of job losses, New England began to recover jobs slowly in 2010. With every state in the region posting employment growth, the region gained a modest 54,000 jobs, for a 0.8 percent gain, from December 2009 to December 2010. That performance was slightly better than that of the nation, which added 940,000 jobs, for an increase of 0.7 percent.

Though New England gained jobs in 2010, not all the region's major industries shared in that growth. Hit hard by the housing downturn, the construction industry shed jobs for the fourth consecutive year. Since reaching peak employment in April 2006, construction employment in both New England and the nation had yet to reach its trough, declining year-over-year for 45 consecutive months through the end of the year. From April 2006 to December 2010 construction employment declined by 38.7 percent in New England and 40.5 percent

in the nation. Government, financial activities, and other services industries in the region also posted job losses from December 2009 to December 2010, collectively losing 13,400 jobs.

Of the sectors that grew, education & healthcare continued to lead the way, adding 23,200 jobs during the December-to-December period. Still, that 1.7 percent gain lagged the 2.1 percent increase seen nationwide. The leisure & hospitality industry led the region in the percentage of employment growth, rising 3.1 percent over the 12-month period, compared with 1.1 percent nationwide. Manufacturing—an industry that had shed jobs nationwide since 2001—recorded its first employment gains in nearly a decade. In New England the industry grew 1.3 percent from December 2009 to December 2010, slightly surpassing the national growth rate of 1.0 percent. The region also posted job growth in trade, transportation & utilities and professional & business services of 1.0 and 1.7 percent, respectively, with those industries adding a total of 25,400 jobs.

Unemployment

At the beginning of 2010 New England's unemployment rate peaked at 8.8 percent—the region's highest rate of joblessness since August 1976. As the region began to experience job growth over the course of the year the unemployment rate declined, falling to 8.3 percent by December 2010—more than a full percentage point below the national rate of 9.4 percent. At the end of 2010, unemployment in other U.S. Census divisions ranged from a low of 7.1 percent in the West North Central region to a high of 11.7 percent in the Pacific region, placing New England close to the middle of the pack.² Along with an improving labor market, all six New England states saw double-digit declines in the annual average of weekly initial claims for unemployment insurance, ranging from 11.7 percent in Maine to 21.3 percent in Massachusetts, between 2009 and 2010. Claims in the region as a whole declined by 17.8 percent—slightly less than the 19.8 percent decline experienced nationwide.

Chart 1 - Nonagricultural Employment

Percent Change, December 2009 to December 2010

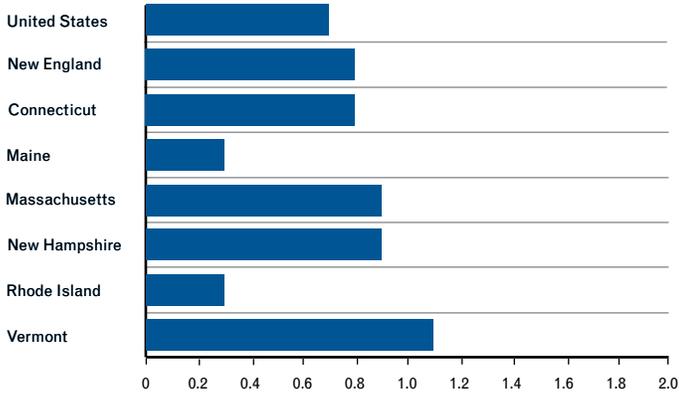


Chart 2 - Employment by Industry

Percent Change, December 2009 to December 2010

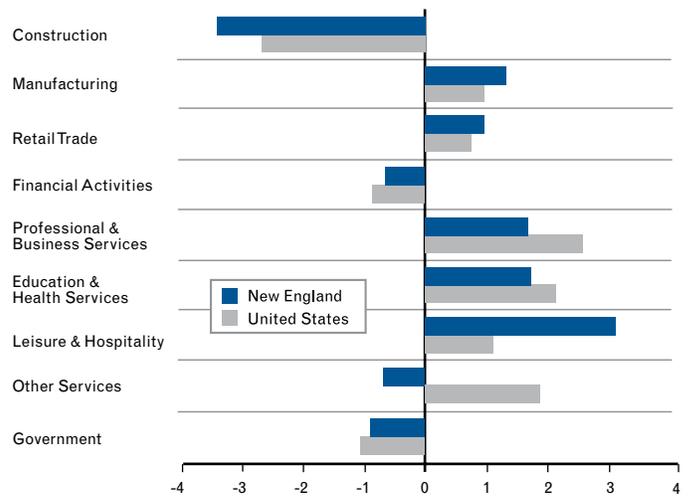


Chart 3 - Unemployment Rate

Percent

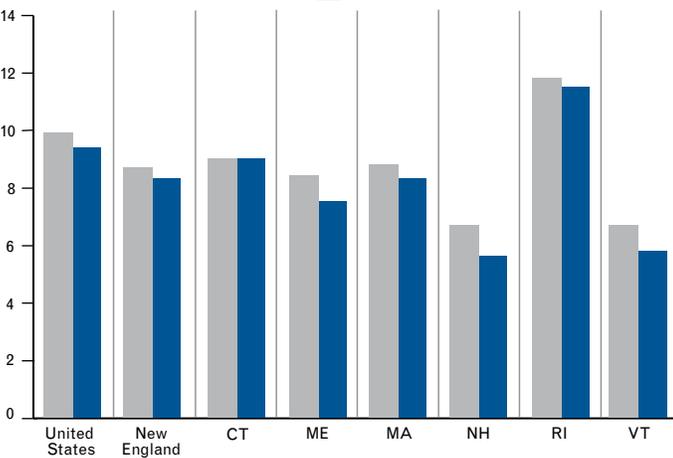


Chart 4 - Regional Unemployment Rate

Percent

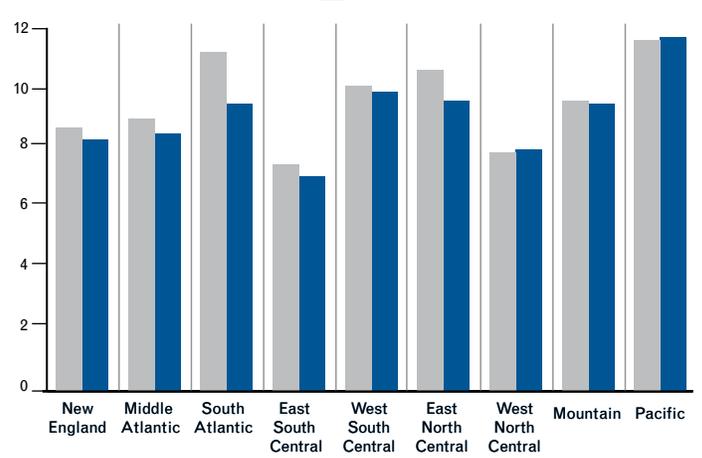


Chart 5 - Per Capita Income

Numbers in Brackets Denote Rank Among 50 States

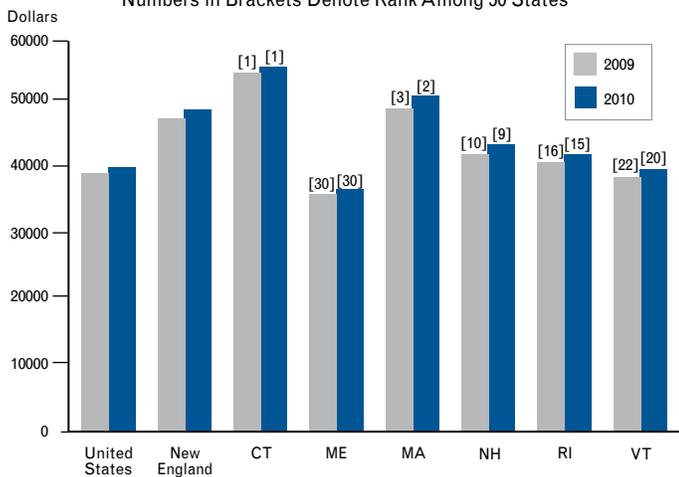
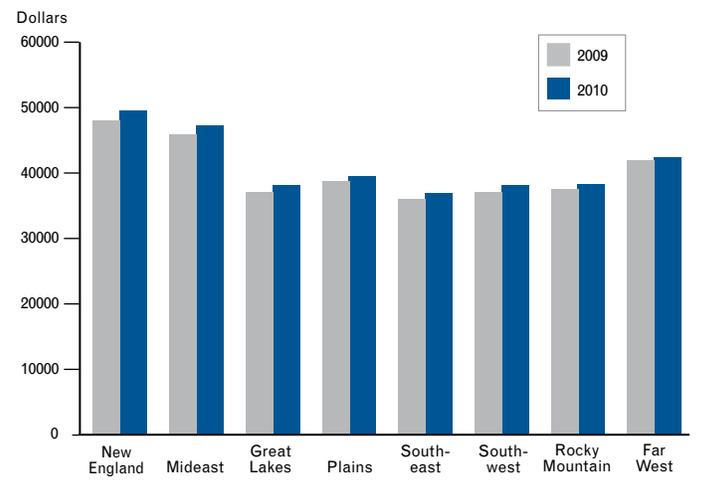


Chart 6 - Regional Per Capita Income



* Per Capita income for 2009 and 2010 are not directly comparable as the 2010 measures rely on 2010 Decennial Census population estimate for April 1, 2010. The US Census bureau has yet to release intercensal population estimates incorporating the Decennial Census, therefore the 2009 per capita income measures are based on previous population estimates that are expected to be revised with the incorporation of the intercensal population estimates on September 22, 2011.

Chart 7 - Consumer Price Index

Percent Change, November 2009 to November 2010

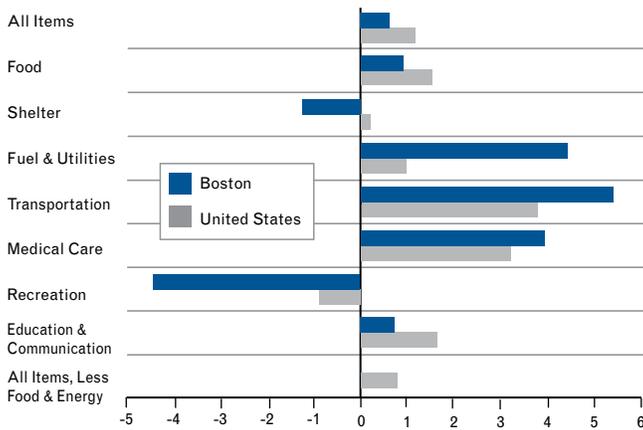


Chart 8 - Housing Permits

Percent Change, 2009 to 2010 (Annual Average)

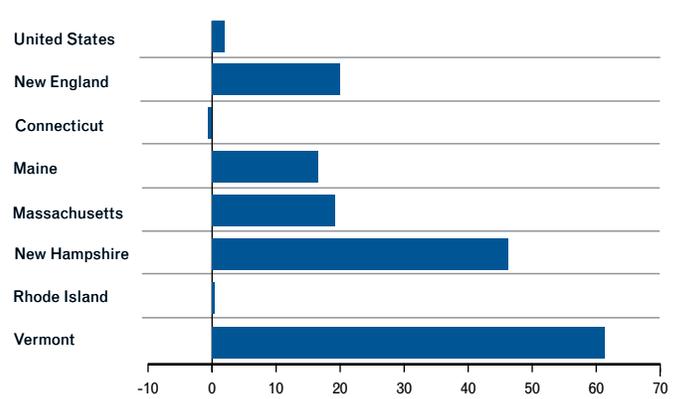


Chart 9 - Merchandise Exports

Percent Change, 2009 to 2010 (Annual Total)

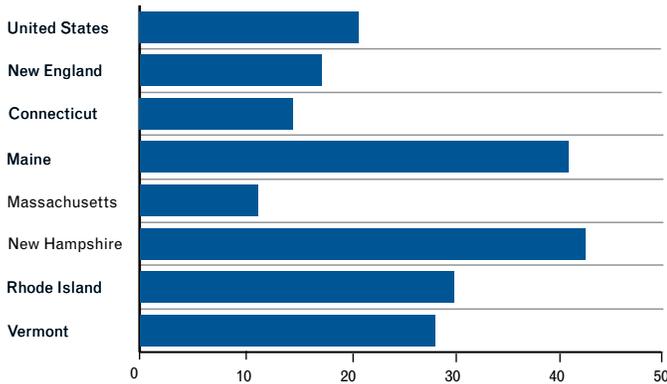
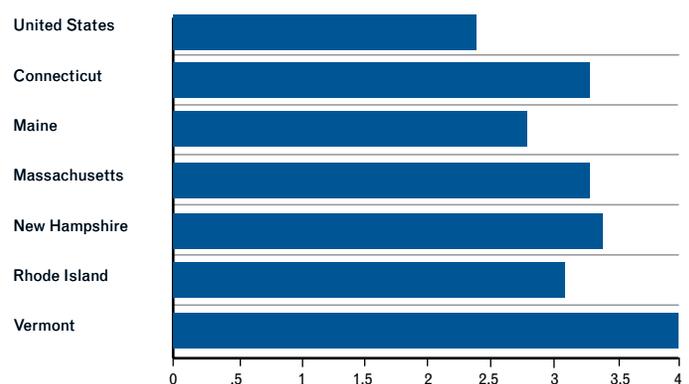


Chart 10 - Economic Activity Index

Percent Change, December 2009 to December 2010



Income and Wages

After falling in the previous year, total personal income in New England rebounded by 3.8 percent between the fourth quarters of 2009 and 2010. This growth slightly trailed that in the nation (3.9 percent), and was in the middle of the pack among U.S. regions.³ New England's gains in wage and salary disbursements—the largest component of personal income—outpaced those in the nation (up 4.0 percent and 3.4 percent, respectively), and were second only to those in the Southwest. As a result, New England continued to have the highest per capita income among U.S. regions, at \$49,520—nearly \$9,000 more than the national figure. That largely reflects the fact that three New England states recorded some of the highest per capita income among the 50 states: with Connecticut leading all states, Massachusetts second and New Hampshire within the top 10.

Employer Costs

Private-sector employers in New England saw labor costs rise at rates above the national average between the fourth quarters of 2009 and 2010. The region's total compensation costs—measured by the employment cost index—rose 2.3 percent, compared with 2.1 percent nationally. This disparity was driven mostly by the costs associated with wages and salaries, the largest component of total compensation, which grew by 2.0 percent across the region and 1.8 percent nationwide.

Consumer Prices

Consumer inflation in New England was a scant 0.6 percent for the 12-months ending in November 2010—half the rate seen nationwide.⁴ Price changes in New England varied widely across categories, ranging from a decline of 4.4 percent in the costs associated with recreation to a 5.4 percent rise in the cost of transportation. Price changes also varied between the region and the nation. For example, the cost of shelter declined by 1.2 percent in New

England over the 12-month period while rising a modest 0.2 percent nationwide. Yet the cost of fuel & utilities grew by 4.4 percent in the region, far exceeding the 1.0 percent increase in the nation. Core inflation—the cost of all items less food and energy—was flat in New England for the first time in its history, dating back to 1982.⁵

Residential Real Estate

New England's residential real estate market began to show signs of life in 2010. After declining for three consecutive years, the Federal Housing Finance Agency's (FHFA) House Price Index showed that regional home prices remained unchanged between the fourth quarters of 2009 and 2010. As such, New England was the only region that did not experience a decline in housing prices in 2010—faring better than the nation, where prices fell by 1.3 percent. However, price changes varied somewhat across the region, with Connecticut, Maine, New Hampshire, and Rhode Island posting declines between 0.2 percent and 1.5 percent, and Massachusetts and Vermont recording small increases.

After declining significantly in the previous four years, annual average housing permits in the region rebounded strongly in 2010, increasing 20.0 percent.⁶ That growth contrasts markedly with the modest 1.9 percent growth seen nationwide. The difference was largely driven by strong growth in single-family housing permits, which account for nearly three-quarters of total housing permits. New England's annual average single-family housing permits grew 23.7 percent from 2009 to 2010, with all states in the region seeing double-digit growth, while permits rose a modest 2.5 percent nationwide.

Coinciding with strong growth in housing permits, the value of New England's construction contracts grew rapidly in 2010. After four consecutive years of decline, the annual average value of construction contracts in the region increased 16.1 percent between 2009 and 2010, while those in the nation continued to fall (down 1.1 percent). The growth in the New England region over this time period was driven primarily by a 30.1 percent increase in residential construction contracts, which grew by just 7.2 percent nationwide. The region also reported growth in the value of nonbuilding and nonresidential construction contracts, up 8.8 and 13.9 percent, respectively, while the value of such contracts declined nationally, down 0.8 and 6.9 percent, respectively.

Not all real estate news was positive in 2010, as sales of existing homes declined sharply to end the year. Buoyed by the federal homebuyer tax credit, regional and national sales of existing homes rose sharply in late 2009 and early 2010.⁷ Subsequently, when the homebuyer tax credit expired at the end of the second quarter of 2010, sales of existing homes plummeted in the third quarter, reaching their lowest levels since the early- to mid-1990s. Sales of existing homes remained depressed to finish the year, declining by 27.6 percent in New England and 20.5 percent nationwide between the fourth quarters of 2009 and 2010.

Merchandise Exports

After a weak performance in exports in 2009, the region and the nation rebounded with strong export growth in 2010. The annual total value of exports from New England grew from \$47.6 billion in 2009 to \$55.9 billion in 2010—a 17.4 percent increase. This slightly trailed the growth experienced in national exports of 21.0 percent. All states in the region shared in this growth, ranging from 11.3 percent in Massachusetts to 42.7 percent in New Hampshire.

The strong growth in exports was also shared across most of the region's top export destinations in 2010. Of the top nine destinations for New England exports, only two imported less in 2010: France (down 0.7 percent) and the United Kingdom (down 15.0 percent). The largest increase in demand for the region's goods came from the emerging economies of Malaysia (up 57.3 percent) and China (up 65.3 percent). In fact, growth in total annual exports to China leapfrogged them from the fifth-largest market for New England goods in 2009 to the second-largest in 2010. Similarly, eight of the region's top nine export industries also reported growth between 2009 and 2010, with total annual exports from the machinery industry in New England growing the fastest at a whopping 45.9 percent. The only top industry to export less in 2010 was primary metal manufacturing: declining a slight 0.2 percent.

Overall Economic Activity

After two-plus years of declining economic activity, the regional and national economies began to show signs of a recovery in 2010, according to the Philadelphia Fed's State Coincident Indexes. Economic activity for the nation grew 2.4 from December 2009 to December 2010. The economy of every New England state expanded faster than the national economy, ranging from 2.8 percent in Maine

to 4.0 percent in Vermont. Consequently, the New England region as whole had a stronger overall economic performance than the nation in 2010.

—Robert Clifford

Connecticut

- Connecticut created jobs at a rate on par with the region and faster than the nation as a whole, with most industries contributing to this growth.
- The housing market continued to struggle, facing drops in home prices, sales of existing homes, and new home construction.
- The value of total exports increased to a record level in Connecticut, even though growth fell short of the gains seen in the region and the nation.

Employment in Connecticut rose between December 2009 and December 2010; the state added 13,600 jobs, the first yearend-to-yearend gain since before the Great Recession. This 0.8 percent job growth matched job growth in the region and slightly outpaced that in the nation. Six of the nine major industries contributed to this increase in employment. The industries undergoing the greatest percentage expansions—leisure & hospitality, professional & business services, and education & health services—grew by 3.0 percent, 2.7 percent, and 2.6 percent, respectively, adding a total of 17,000 jobs. Additionally, while the rest of the region and the nation lost jobs in financial activities, Connecticut saw a 0.1 percent gain. The construction industry fared the worst, shedding 3,500 jobs for a 6.7 percent job loss.

While the other New England states witnessed a decline in unemployment relative to December 2009, Connecticut ended 2010 with its unemployment rate unchanged at 9.0 percent, the second highest in the region. Likewise, the unemployment rate escalated in the New Haven and Norwich-New London areas and held steady in the Bridgeport-Stamford-Norwalk area of Connecticut, whereas unemployment fell in all other New England City and Town Areas (NECTAs) in the state and region. Despite stagnant unemployment levels, Connecticut saw a drop in the annual average of weekly initial claims for unemployment insurance in 2010, with filings down 16.0 percent compared with 2009. However, this decrease was less steep than the regional decline of 17.8 percent and the national decline of 19.8 percent.

Echoing statewide job growth, personal income in Connecticut grew between the final quarters of 2009 and 2010 by 3.4 percent. However, this growth remained below the rates seen in the region and the nation. Wage and salary disbursements similarly expanded by 3.4 percent, matching national growth but falling short of the 4.0 percent increase in the region. Connecticut continued to have the highest per capita income in the United States at \$56,000, exceeding the national level by more than \$15,000.

The problems facing Connecticut's housing market continued in 2010, though the sector may be beginning to stabilize. At the end of 2010, the FHFA's House Price Index shrunk by 0.8 percent in Connecticut relative to year-earlier levels, a drop less severe than in preceding years. This was felt across the state as home prices fell in each of Connecticut's metropolitan areas in 2010. The steepest decline in both Connecticut and New England, a drop of 1.7 percent, occurred in the New Haven-Milford area.

Sales of existing homes in Connecticut plummeted by 31.7 percent between the fourth quarters of 2009 and 2010, the sharpest descent in the region. This trend was likely driven by the federal homebuyer tax credit, which elevated home sales from late 2009 until it expired in April 2010. Similarly, new home construction continued to deteriorate in Connecticut. The annual average of housing permits issued in 2010 fell by 0.6 percent relative to 2009, whereas the region as a whole saw a 20.0 percent increase. This is the sixth consecutive year of waning new home construction in Connecticut, which was the sole New England state to see a contraction. Nevertheless, the rate of decay has slowed dramatically.

Following a similar trend, the annual average value of total construction contracts in Connecticut fell by 3.8 percent in 2010, compared with growth of 16.1 percent in the region overall. Nonbuilding and non-residential construction contracts drove this decline, with respective 16.1 and 7.8 percent drops in their annual average value between 2009 and 2010. On the other hand, the value of residential construction contracts rose by 21.7 percent, though this growth fell short of the regional increase of 30.1 percent.

The total annual value of Connecticut exports expanded by \$2.0 billion between 2009 and 2010. Although this 14.7 percent increase was not as large as the growth seen in the region and the nation, it reversed the contraction of global demand experi-

enced in 2009 and lifted exports to a record annual total of \$16 billion. Exports of transportation equipment—the state’s largest exporting industry—grew by 8.7 percent between 2009 and 2010. The next two largest exporting industries in Connecticut, machinery and computer & electronic products, saw exports rise by 7.6 and 25.9 percent, respectively. Of the top three international destinations for Connecticut’s products, the value of exports to France and Canada grew by 0.4 and 9.9 percent, respectively, while exports to Germany fell by 2.9 percent.

Reflecting improvements in the labor market, Connecticut’s economic activity increased by 3.3 percent between December 2009 and December 2010, according to the Philadelphia Fed’s State Coincident Indexes. Connecticut’s economic performance was in the middle of the pack for the region, and surpassed the growth in the nation.

—*Julia Dennett*

Maine

- Though Maine’s gains in employment lagged those seen regionally and nationally, the state’s unemployment rate dropped more than in both the region and the nation.
- Maine’s construction industry strengthened in 2010, recording increases in both employment and total construction contracts, outperforming the region and the nation.
- After a steep decline in exports in 2009, Maine exported a record dollar value of goods in 2010, and recorded the second-fastest growth rate in exports in the region.

In 2010, Maine saw improvements in employment, gaining 2,000 jobs between December 2009 and December 2010. However, this 0.3 percent increase was much lower than the rate of increase in the region (0.8 percent) and the nation (0.7 percent).

Despite gains in total employment, Maine saw job losses in the trade, transportation & utilities, government, and financial activities industries, which shed a net total of 2,900 jobs. Maine’s leisure & hospitality industry, which added the most jobs in 2010 (1,700), grew by 2.9 percent, outpacing the nation, and on par with the region. After more than three years of decline, the state’s construction industry rebounded to lead all other Maine industries, with employment

rising by 3.7 percent despite regional and national declines. The professional & business services, education & health services, other services, and manufacturing industries also saw gains, adding a total of 2,200 jobs.

Maine’s unemployment rate dropped to 7.5 percent by the end of 2010, a decline of 0.9 percent from December 2009—roughly double the decline in both the region and the nation. Both the Lewiston–Auburn and Portland–South Portland–Biddeford regions experienced similar declines in joblessness as the state average, while the Bangor region recorded a smaller decrease of 0.6 percentage point. Maine also saw a decline in annual average of weekly initial claims for unemployment insurance in 2010, although the 11.7 percent drop was much lower than in the region (17.8 percent) and the nation (19.8 percent).

Personal income continued to rise in the Pine Tree State, but the 3.3 percent growth between the fourth quarters of 2009 and 2010 was less than in both the region (3.8 percent) and the nation (3.9 percent). That outcome largely reflected Maine’s slow growth in wage and salary disbursements—the largest component of personal income—of just 2.2 percent, which was well below the regional gain of 4.0 percent and the national increase of 3.4 percent. Maine continued to have the lowest per capita income in New England; at \$37,300, it was more than \$3,000 less than the national level, and more than \$12,000 below the regional level.

The housing market continued to decline in 2010, with the FHFA’s House Price Index for Maine dropping by 0.2 percent. While this decrease was less than that of the nation (1.3 percent), it was in the middle of the pack among the New England states. Changes in home prices between the fourth quarters of 2009 and 2010 varied across the state’s metropolitan areas, with the Portland–South Portland–Biddeford region reflecting the statewide trend, and the Lewiston–Auburn region reporting nearly flat prices, mimicking the regional change. On the other hand, Bangor fared second best among all New England metropolitan areas, recording a 0.3 percent rise in home prices. The overall dip in housing prices was not enough to spur home sales in Maine in 2010. After rising markedly in 2009, total existing home sales dropped by 6,400 between the fourth quarters of 2009 and 2010. This 23.9 percent decrease was slightly smaller than the 27.6 percent decline seen in the region but slightly larger than the 20.5 percent

decline experienced in the nation.

Despite falling prices and sagging home sales, annual average housing permits rose 16.5 percent between 2009 and 2010, after four years of steady declines. While this increase was slightly smaller than rate of growth seen regionally, it was much larger than in the nation, which saw just a 1.9 percent increase. Maine's construction industry saw an increase in the annual average total value of construction contracts of 24.9 percent, while the region saw an increase of only 16.1 percent, and the nation saw a loss of 1.1 percent between 2009 and 2010. This gain translated into growth in all three categories of construction contracts: residential (7.4 percent), nonresidential (53.6 percent) and nonbuilding (22.1 percent). Maine outperformed the nation in each type of contract, and outpaced the region as a whole in all but residential construction contracts.

Maine's export industry recorded the second-highest increase in the region from 2009 to 2010, with total annual exports rising 41.1 percent to reach \$3.1 billion—a state record. That growth in total annual exports was nearly double the growth for the nation (21.0 percent). Maine's increase was due in part to rising demand from the Pine Tree State's largest export destinations: Canada (19.9 percent), Malaysia (143.3 percent), and China (90.3 percent). After seeing losses in 2009, Maine's exports of computer & electronic products rose by more than 125 percent in 2010, while those from the paper and fish industries increased by more than 50 percent.

In 2010, Maine's economy saw mixed results: leisure & hospitality, construction and export activity strengthened, but various other indicators were lackluster. Overall economic activity grew by 2.8 percent in the state in 2010, according to the Philadelphia Fed's State Coincident Indexes. Though this progress was the region's slowest, it was still faster than the rise in national economic activity in 2010.

—*Lisa Tarquinio*

Massachusetts

- Labor market conditions showed signs of improvement, with Massachusetts recording its strongest employment growth since 2006 and a 0.5 percentage point decline in its unemployment rate.

- Increases in wage and salary disbursements and other components of personal income brought per capita income to \$51,552, ranking the Bay State second highest in the nation.
- Massachusetts saw significant increases in housing permits and the value of total construction contracts, and house prices edged up for the first time since 2005. Total existing home sales, however, fell significantly after rising in 2009.

Massachusetts saw modest employment growth in 2010 as employers added 28,200 payroll jobs between December 2009 and December 2010. The 0.9 percent increase in total employment surpassed growth in the region (0.8 percent) and the nation (0.7 percent), reflecting sizable job gains in a number of the state's major industries. The largest percentage gains occurred in leisure & hospitality (2.6 percent), education & health services (2.0 percent), and trade, transportation & utilities (1.7 percent). Together these sectors added more than 29,000 jobs. Other industries reporting job gains included manufacturing and professional & business services—both up about 1.1 percent. Nearly two-thirds of the state's job losses occurred in its construction and government sectors, which shed 2,600 jobs (2.4 percent) and 3,300 jobs (0.8 percent), respectively. The rate of job loss in the state's construction sector, however, has moderated significantly since 2009 and remains below that of the region (3.4 percent) and the nation (2.6 percent).

Employment expanded in six of Massachusetts's seven NECTAs from December 2009 to December 2010, with increases ranging from 0.3 percent (Worcester) to 1.3 percent (Boston–Cambridge–Quincy). Barnstable, down 0.6 percent, was the only Massachusetts NECTA to shed jobs.

A decline in Massachusetts's unemployment rate—from 8.8 percent in December 2009 to 8.3 percent in December 2010—coincided with the state's overall growth in employment. The state's year-end jobless rate matched that of the region and remained well below that of the nation (9.4 percent). The 0.5 percentage point decline in unemployment in Massachusetts was broad-based, with decreases seen in all seven of the state's NECTAs. Coinciding with the drop in joblessness, annual average weekly initial claims for unemployment insurance in the state fell by 21.3 percent in 2010—the largest drop among the New England states. This decrease followed a 24.0 percent rise in claims the previous year.

Personal income and wage and salary disbursements in Massachusetts jumped 4.2 percent and 4.9 percent, respectively, between the fourth quarters of 2009 and 2010, outpacing growth in the region and the nation. Indeed, per capita income reached \$51,552 in 2010, ranking the state second in the nation, behind only Connecticut. Despite modest employment growth, the state's manufacturing production workers experienced declines in both average weekly hours and average hourly earnings, down 1.9 percent and 0.8 percent, respectively. Massachusetts was the only New England state to see a decline in either measure.

According to the FHFA's House Price Index, house prices in Massachusetts edged up 0.4 percent between the fourth quarter of 2009 and the fourth quarter of 2010, after four consecutive years of decline. This rate of change was the highest in the region and contrasted with the 1.3 percent decrease in the nation. Median house prices increased during this same period in three of the five metropolitan areas in the state for which data are available, with Barnstable (3.3 percent) and Worcester (2.6 percent) the only areas to record declines.

The Bay State posted a 19.2 percent increase in the annual average of total monthly housing permits in 2010—the first year of growth since 2005. The value of total construction contracts rose 33.2 percent over the same period, reflecting increases in residential (53.1 percent), nonbuilding (50.7 percent), and nonresidential (15.6 percent) contracts. Total existing home sales in the state, however, fell 27.3 percent between the fourth quarter of 2009 and the fourth quarter of 2010, consistent with the decline in the region (27.6 percent) and somewhat greater than the decline nationally (20.5 percent).

The value of total annual exports from Massachusetts increased by \$2.7 billion (11.3 percent) between 2009 and 2010, offsetting more than half of the \$4.8 billion (16.8 percent) decline seen between 2008 and 2009. Still, the Bay State recorded the slowest growth rate in annual exports among the New England states and trailed the 21.0 percent growth rate for the nation. Machinery and computer & electronic products—two of the state's largest exporting industries—saw annual export values rise by 72.2 percent and 13.5 percent, respectively. Meanwhile, the chemical industry continued to see export values decline—down 6.5 percent. Annual exports to the United Kingdom—the state's largest export

destination in 2010—fell by \$836 million (20.6 percent), while exports to China jumped \$820 million (59.8 percent).

With a strengthening labor market, rising personal income, and stabilizing house prices, the Massachusetts economy showed significant signs of improvement in 2010. As measured by the Philadelphia Fed's State Coincident Indexes, economic activity in Massachusetts rose 3.3 percent between December 2009 and December 2010, finishing the year 1.5 percent below its pre-recession peak level of activity, seen in March 2008. Performing on par with many of the other state economics in New England, growth in the economic activity of the Bay State exceeded that of the nation in 2010.

—Ryan Kessler

New Hampshire

- New Hampshire enjoyed strong job growth and the lowest unemployment rate in New England during the past year.
- Exports from New Hampshire grew faster than from the other states in the region.
- New Hampshire continued to suffer from declining home prices and home sales, but posted strong growth in housing permits and construction contracts.

The Granite State has been a regional leader in many respects during the economic recovery. By adding 5,700 jobs, total employment in New Hampshire grew 0.9 percent from December 2009 to December 2010, slightly faster than the rates for New England and the nation. Despite that gain, New Hampshire has recovered only 7,600 of the 31,800 jobs it lost between its pre-recession peak in January 2008 and its trough in January 2010. That amounted to a recovery rate of nearly 25 percent, while the United States as a whole recovered just under 12 percent of its lost jobs. However, this gain was not uniformly distributed across New Hampshire's industries.

Employment growth in New Hampshire was driven largely by the leisure & hospitality (up 6.3 percent) and professional & business services industries (up 3.6 percent). Between December 2009 and December 2010 New Hampshire added 6,200 jobs in those two sectors alone. The manufacturing sector saw one of the first increases in manufacturing employment

over a 12-month period in nearly five years, adding 1000 jobs and growing by 1.5 percent between December 2009 and December 2010. The manufacturing sector also saw 6.9 percent growth in average weekly hours worked over the same time period, outstripping the 0.7 percent growth rate posted by the region. New Hampshire's manufacturing production employees now work more hours per week than any of their regional peers. However, the increase in manufacturing employment was offset by a 1,000-job decrease in the construction sector, a decline of 4.6 percent between December 2009 and December 2010.

Besides posting strong job growth, New Hampshire also saw its unemployment rate drop by more than 1 percentage point to reach 5.6 percent at the end of 2010. That was the lowest unemployment rate and the largest drop in any New England state. In contrast, the region and the nation contended with 8.3 percent and 9.4 percent unemployment rates, respectively. New Hampshire's declining unemployment rate was reflected in a 13.7 percent decrease in the annual average of weekly initial claims for unemployment insurance between 2009 and 2010.

Although New Hampshire experienced strong job growth and had the lowest unemployment rate, growth in personal income—while still positive at 3.6 percent—fell short of that in New England and the nation. Yet the Granite State's per capita income was ninth highest in the nation, at \$44,084—well above the national average.

While much of New Hampshire's labor market news was positive in 2010, its housing market continued to suffer. Between the fourth quarters of 2009 and 2010, the FHFA's House Price Index for New Hampshire dropped 0.9 percent—more than in any other New England state except Rhode Island, although less than the 1.3 percent drop in the nation. Continued erosion of home prices brought New Hampshire's overall decline in its Home Price Index to 13.4 percent below its March 2006 peak. That falloff was more severe than in the nation and all other New England states except Rhode Island. The decline in home prices coincided with a drop in sales of existing homes of 23.7 percent between the fourth quarter of 2009 and 2010—or some 5,600 homes.

Not all indicators of the health of New Hampshire's housing market were disappointing. The annual av-

erage of New Hampshire housing permits issued in 2010 increased 46.2 percent compared with 2009—a growth rate well above the regional increase of 20 percent. However, the number of housing permits issued was still low on a historical basis. Fewer housing permits were issued in 2010 than in any year in the history of the series except 1991 and 2009.⁸ In line with the recent growth in housing permits, the annual average value of residential construction contracts increased by 15.5 percent in 2010—nearly half the rate of growth for such contracts region wide. By contract, the annual average value of nonresidential construction contracts grew by 60.9 percent in 2010, a rate that far outstripped the regional increase of 13.9 percent.

Total annual exports from New Hampshire increased to \$4.4 billion during 2010, a growth rate of 42.7 percent. That was the fastest annual growth rate in the region and exceeded the nationwide rate of export growth by more than 20 percentage points. Rapid growth in exports to Mexico and China drove some of that exceptional performance. From 2005 to 2010, total annual exports to Mexico grew by a factor of ten, while exports to China grew by a factor of 3.6. New Hampshire's three largest exporting industries—those that produce computers, electronics, and machinery—collectively nearly doubled their annual exports over the same period.

In 2010 the Granite State led the way out of the recession with one of the best labor market performances in the region. Given the state's strong growth in exports as well, it is no surprise that New Hampshire had one of the best-performing economies in the region and nation in 2010. According to the Philadelphia Fed's State Coincident Indexes, economic activity in the Granite State expanded 3.4 percent from December 2009 to December 2010—second best among New England states, and well ahead of the national rate.

—*Tal Elmatad*

Rhode Island

- After three consecutive years of job losses, Rhode Island began to recover jobs in 2010—albeit at a modest pace.
- Unemployment fell to 11.5 percent by the end of 2010, but remained well above the national rate and fourth highest in the nation.

- The Ocean State's residential real estate market continued to deteriorate in 2010, with declining home prices, falling home sales, and a high rate of mortgage foreclosure starts.

Although still dealing with the adverse effects of the recession, Rhode Island began to make a comeback in 2010, especially in overall employment, personal income, and exports.

The Ocean State added 1,300 jobs between December 2009 and December 2010, as employment expanded by 0.3 percent. However, that growth rate lagged gains in the other New England states, and was much more modest than the national rate. The employment trend varied widely across industries. The construction industry—accounting for slightly over 3 percent of total payrolls making it the state's smallest sector of employment—saw jobs fall 7.4 percent, the largest such drop in New England. Yet some Rhode Island industries saw the fastest percentage employment gains in New England, including trade, transportation, & utilities, which rose by 2.5 percent (1,800 jobs). Employment in education & health services—which accounts for about 22 percent of the state's payroll employment—fell by 0.2 percent, or 200 jobs, making Rhode Island the only New England state to lose employment in the sector.

Modest job gains translated into a modest decline in the state's unemployment rate, which fell from 11.8 percent to 11.5 percent from December 2009 to December 2010. That rate remained more than 3 percentage points higher than the regional rate, and placed Rhode Island fourth highest in the nation. A more promising sign is that the annual average of weekly initial claims for unemployment insurance dropped by 14.6 percent between 2009 and 2010.

As with employment, Rhode Island saw modest gains in personal income and wage & salary disbursements, but failed to keep pace with the regional and national gains. Personal income and wage & salary disbursements each grew by slightly more than 3 percent between the fourth quarters of 2009 and 2010. The growth rate in personal income was about half a percentage point lower than in the region and the nation, while growth in wage & salary disbursements lagged that in the region by almost a full percentage point.

Rhode Island's real estate market continued its long decline. The FHFA's House Price Index for the state

fell year-over-year for the sixteenth consecutive quarter, declining 1.5 percent between the fourth quarters of 2009 and 2010. Over the same time period, sales of existing homes in the Ocean State fell 29.6 percent, with third quarter 2010 sales reaching their lowest levels in over 14 years. Annual average total housing permits saw almost no change, but single-unit housing permits rose 16.8 percent between 2009 and 2010. These both trailed growth in the region, but the growth in single-unit housing permits outpaced the national growth rate by more than 14 percentage points. Foreclosures remained a serious problem in the Ocean State in 2010, with nearly 1 in every 10 mortgages in foreclosure or serious delinquency in the fourth quarter of 2010. This ratio was the highest among the New England states and the twelfth worst in the country.⁹

The weak real estate market translated into a weak market for construction contracts. The annual average value of residential building contracts fell nearly 10 percent between 2009 and 2010—in marked contrast to double-digit growth in the region. Overall, construction contracts partially recovered from a particularly weak 2009, with their annual average value growing by 13.4 percent in 2010. However, that growth was driven mainly by nonbuilding construction projects, such as road repair, which expanded by 46.5 percent—partly because the state invested \$137.4 million from the American Recovery and Reinvestment Act (ARRA) in road maintenance.¹⁰

The bright spot for Rhode Island in 2010 was exports. They made a strong recovery, expanding by 30.1 percent to an annual total of about \$1.95 billion—just shy of the \$1.98 billion all-time high the state set in 2008. Annual exports from the waste & scrap industry rose 37.4 percent in 2010, to \$529 million, while exports of chemicals rose by 80.6 percent, to \$224 million. Canada, Mexico, and Germany—the top destinations for Rhode Island exports—increased their demand for Ocean State goods in 2010. Annual exports to Canada rose a relatively modest 16.7 percent, while exports to Mexico increased by a marked 61.9 percent, and exports to Germany rose a strong 133.3 percent.

Overall, economic activity in Rhode Island grew 3.1 percent between December 2009 and December 2010, according to the Philadelphia Fed's State Coincident Indexes. Although that was the second slowest growth rate among the six New England

states, it was 0.7 percentage points faster than that of the national economy in 2010. While the Ocean State saw some improvements in 2010, the road to recovery clearly remains long.

—David Coyne

Vermont

- In 2010 Vermont led the region in employment growth and had the fifth-lowest unemployment rate in the nation.
- The construction industry continued to shed jobs but at a slower rate, while both residential and nonresidential construction contracts rose.
- The number of single unit housing permits increased for the first time since 2004, while Vermont's Home Price Index rose, in contrast to flat prices regionally and declining prices nationally.

After nearly three years of job losses, Vermont recorded an increase of 3,200 jobs between December 2009 and December 2010. The net increase in employment of 1.1 percent was the highest in the region and above the national rate.

The largest employment gain occurred in the leisure & hospitality industry, which posted an increase of 1,200 jobs (up 3.7 percent). Employment in the construction industry continued to shrink, following uninterrupted year-over-year declines in employment that began in 2007. Shedding 500 jobs, construction experienced the steepest decline in employment among Green Mountain State major industries, falling 3.7 percent between December 2009 and December 2010. However, the job loss was much less severe than the declines of 7.5 percent in 2009 and 10.4 percent in 2008.

Gaining jobs for the first time since 2004, the manufacturing industry saw employment rise by 800 jobs, or 2.6 percent. The average weekly hours for manufacturing production workers rose to 38.7 (up 1.1 percent), but remained lower than in the region and nation. Average hourly earnings for manufacturing production workers similarly increased by 22 cents to \$16.63, but remained behind earnings in region (\$20.47) and the nation (\$18.60).

Coinciding with job gains, Vermont's unemployment rate diverged from a five-year trend by falling 0.9 percentage point between December 2009 and

December 2010. The unemployment rate was 5.8 percent at year's end—the second lowest in the region and fifth lowest in the nation. An improving labor market also meant that annual average of weekly initial claims for unemployment insurance declined to 1,074 in 2010—a 20 percent drop from 2009.

Following relatively strong growth in 2009, total personal income in Vermont grew 3.8 percent between the fourth quarters of 2009 and 2010—the same as the region and slightly trailing the nation (3.9 percent) in 2010. After declining in 2009, wage and salary disbursements in the Green Mountain State rose by 2.9 percent. However, that increase was less than seen in New England (4.0 percent) and the nation (3.4 percent). Meanwhile, Vermont's per capita income of \$40,283 placed it twentieth in the nation—about \$300 lower than the national level.

Home prices in Vermont appeared to reach their bottom in June of 2010, according to the FHFA's House Price Index. Thereafter prices rebounded to finish the year 0.3 percent higher than in December 2009, making the Green Mountain state one of only two New England states to report growing home prices in 2010. Despite falling home prices, total sales of existing homes in Vermont declined by 24.3 percent between December 2009 and December 2010. While the state experienced a lower decline than the region during this period, it recorded a higher rate of decline than the nation.

After an almost continual drop in the number of housing permits in Vermont that began in 2004, those permits rose to an annual average of 154 per month in 2010. This amounted to a 61.3 percent increase between 2009 and 2010, far above that in the region (20.0 percent) and the nation (1.9 percent). Both the annual average value of residential and nonresidential construction contracts also rose over the same time period, by 11.0 percent and 21.9 percent, respectively. However, the value of total construction contracts fell in Vermont by nearly 10 percent while increasing in the region and declining only slightly in the nation. That drop in the value of total construction contracts was almost entirely due to a 29.6 percent reduction in nonbuilding construction contracts. And that decline, in turn, partly reflects a 233.2 percent rise in the annual average value of nonbuilding construction contracts in 2009 stemming from infrastructure building financed through the ARRA, which was not sustained into 2010.

Vermont exported a state-record totaling \$4.1 billion in goods in 2010, up 28.3 percent from 2009. That gain was driven partly by demand from two of the states largest trading partners, China and Canada: annual exports to those nations rose by more than \$360 million each. Shipments from the Green Mountain State's largest exporting industries also grew, with the largest gain occurring in miscellaneous manufacturing (up 785.7 percent). After posting export losses in 2009, the machinery and computer & electronic products industries increased annual exports by 4.0 percent and 17.2 percent, respectively.

Showing signs of economic recovery, Vermont was one of the best-performing states in the nation in 2010. According to the Philadelphia Fed's State Coincidence Indexes, economic activity in the Green Mountain State expanded by 4.0 percent between December 2009 and December 2010. Not only did that exceed the performance of all other New England states and the nation, but was also one of the fastest rates of growth nationwide.

—Lisa Tarquinio

Endnotes

- 1 The article represents data available as of May 13, 2011.
- 2 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
- 3 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.
- 4 The New England Consumer Price Index 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.
- 5 For the 12 months from September 2009 and September 2010, New England's core CPI actually declined for the first time in the history of the series, which dates from January 1982. The change in New England over the 12-month period ending November 2010 is therefore the second-lowest change to core CPI in the history of the series, and the first time a 12-month period has recorded no price change.
- 6 Total housing permits declined by double digits every year from 2005 to 2009. Over the period, total housing permits dropped 69.4 percent in New England and 73.0 percent nationwide.
- 7 Originally set to expire November 30, 2009, the Home Buyer Tax Credit was extended to April 30, 2010. First-time homebuyers were allowed a credit of 10 percent of their home purchase, up to a maximum of \$8,000, and repeat homebuyers were allowed a credit of 10 percent, up to a maximum of \$6,500. The credit applied to all eligible home sales between January 1, 2009 and April 30, 2010, with all binding sales contracts as of April 30 eligible as long as the sale was completed by September 30, 2010.
- 8 Data on monthly housing permits at the state level is available from the U.S. Census Bureau dating back to January of 1969.
- 9 Mortgage Bankers Association, National Delinquency Survey, Fourth Quarter, 2010.
- 10 PBN Staff, "SGA Gives Rhode Island Top Marks for Repairing, Not Building, Roads," *Providence Business News*, February 3, 2011. <http://www.pbn.com/SGA-gives-Rhode-Island-top-marks-for-repairing-not-building-roads,55367>.