The year 2001 marked the end of a ten-year economic expansion for the nation and New England. Both the recession that began in the first quarter of 2001 and the terrorist attacks of September 11 weakened the region’s labor market, which had built strength in the 1990s and through 2000. Employment in nearly all of the region’s states and major industries declined in 2001, while unemployment became more widespread. Furthermore, the value of exports dropped across most major industries and destinations. The region’s residential real estate market remained robust, however, as prices increased faster than in the nation overall. In addition, the region continued to face a higher rate of consumer price inflation than the nation.

**Employment**

Over the course of 2001, New England lost 84,700 jobs on net across its six states. This 1.2 percent contraction was the region’s first since 1992, and was larger than the 0.8 percent decline seen nationwide. Employment levels in nearly all of New England’s states dropped; Maine, where yearend levels were unchanged, was the exception (Chart 1). The recession that began in 2001 affected employment in nearly all of New England’s major industries. Manufacturing shed 6.6 percent of its jobs regionwide, its largest cut since 1991; however, the region fared slightly better than the nation, where 7.1 percent of manufacturing jobs were lost (Charts 2 and 4). Employment in the services sector, which had climbed 3.8 percent over the course of 2000, slipped 0.6 percent during 2001, translating into nearly 15,000 jobs lost across the region (Charts 3 and 5). In contrast, construction had the steepest employment growth, 3.3 percent, and the finance, insurance, and real estate (FIRE) and government sectors also added jobs during the year.

New England’s employment continued to decline through March 2002, dropping 1.1 percent below the March 2001 level, slightly more than the nation’s 1.0 percent drop. Construction, retail trade, FIRE, and government sectors added jobs during the first quarter, but not enough to offset losses in manufacturing, services, and other industries.

**Unemployment**

After sustaining its lowest unemployment rate ever for most of 2000 (2.7 percent), New England’s jobless rate rose in 2001, to its highest level (4.3 percent) since late 1997. With yearend unemployment rates ranging from 3.9 percent to 5.0 percent, all six New England states and the region overall continued to fare better than the nation, where unemployment reached a six-year high of 5.8 percent (Chart 7). Meanwhile, the average number of weekly initial claims for unemployment insurance in New England jumped 41.1 percent between December 2000 and December 2001, reaching the highest yearend level since 1991; in the nation, claims rose 17.0 percent. The region’s help wanted index plunged 60 percent over the course of 2001, to its lowest level in a decade.

By the end of the first quarter of 2002, New England’s unemployment rate had leveled out, to 4.1 percent, almost a percentage point higher than a year earlier, but below the nation’s 5.7 percent. Meanwhile, the average number of weekly initial claims for unemployment insurance continued to rise throughout the region, but at a more moderate pace than in 2001.

**Income**

New Englanders’ total personal income rose $4.8 billion, or 0.9 percent, between the fourth quarters of 2000 and 2001. This was the smallest year-over-year...
Indicators

Chart 1 - Nonagricultural Employment
Percent Change, December 2000 to December 2001

Vermont
Rhode Island
New Hampshire
Massachusetts
Maine
Connecticut
New England
United States

-1.5 -1.2 -0.9 -0.6 -0.3 0

Chart 2 - Employment by Industry
Percent Change, December 2000 to December 2001

Manufacturing
Construction
Transportation and Public Utilities
Retail Trade
Wholesale Trade
Finance, Insurance, and Real Estate
Services
Government

New England
United States

Chart 3 - Employment by Industry
Thousands of Jobs Added or Lost in New England, December 2000 to December 2001

Manufacturing
Construction
Transportation and Public Utilities
Retail Trade
Wholesale Trade
Finance, Insurance, and Real Estate
Services
Government

Chart 4 - Manufacturing Employment
Percent Change, December 2000 to December 2001

United States
New England
Connecticut
Maine
Massachusetts
New Hampshire
Rhode Island
Vermont

Chart 5 - Services Employment
Percent Change, December 2000 to December 2001

United States
New England
Connecticut
Maine
Massachusetts
New Hampshire
Rhode Island
Vermont

Chart 6 - Construction Employment
Percent Change, December 2000 to December 2001

United States
New England
Connecticut
Maine
Massachusetts
New Hampshire
Rhode Island
Vermont

No Change
increase recorded in the fourth quarter in more than 50 years. Meanwhile, national personal income rose 1.7 percent, also the nation’s smallest fourth-quarter-to-fourth-quarter increase in over 50 years. Wage and salary disbursements, which made up more than half of the region’s total personal income, declined 0.4 percent. Despite this sluggish growth in income during 2001, New England maintained the highest level of per capita income among all regions for the 16th year in a row. At nearly $37,000, New England’s per capita income was more than 20 percent higher than the national level. Across the nation, per capita income was highest in Connecticut, and second highest in Massachusetts; New Hampshire ranked sixth (Chart 8).

Consumer Prices
Consumer price inflation was higher in New England than in the nation throughout 2001. Between November 2000 and November 2001, market-basket prices increased 1.9 percent in the nation, while the region saw prices rise 2.8 percent (Chart 10). While prices rose more than in the nation, inflation in the greater Boston area in 2001 was lower than the 4.6 rate experienced during 2000. The region’s steep rise in fuel prices during 2000 moderated in 2001, but still exceeded the national increase. Although regional price increases in major consumer expenditure categories (food, shelter, fuel and utilities, and medical care) remained higher than the nation’s, New Englanders saw improvement in transportation prices, which dropped more in Boston than in the nation.

New England’s trend of higher inflation continued through the first quarter of 2002. In March, consumer prices in the region were 2.0 percent higher than a year earlier, while prices were up 1.5 percent nationwide. Declines in fuel prices contributed to the moderation in inflation.

Consumer Confidence
At the end of 2001, New England’s consumers were less confident about the economy than they had been a year earlier, as the regional consumer confidence index waned 18.0 percent. Although New England consumers’ evaluations of their present situation deteriorated sharply (45.6 percent), their assessment of the future was more optimistic than it was a year earlier. Meanwhile, the nation’s consumers downgraded their future expectations slightly over the course of the year.

By April 2002, consumer confidence in the region and the nation had recovered somewhat more, with major improvements in future expectations both regionally and nationally.

Residential Real Estate
Between the fourth quarters of 2000 and 2001, New England’s repeat-sales home price index increased 10.4 percent, well ahead of the 7.1 percent rise in the national index. With increases ranging from 7.7 percent to 10.6 percent, each of the New England states saw greater growth in home prices than growth for the nation overall (see charts on page 18). By fourth quarter 2001, the median sales price of existing homes in the United States had risen to $148,000. Median prices in six of the seven New England metropolitan areas for which data are available exceeded this U.S. median. Sales of existing homes in the region declined 1.9 percent over the course of 2001, while sales across the nation were up 4.6 percent (Chart 12). New additions to the region’s housing supply were reduced by a 1.5 percent decline in average monthly housing permits (Chart 13).

Exports
In fourth quarter 2001, the value of New England’s merchandise exports was $2.3 billion lower than a year earlier. This 22.1 percent falloff compares with a 14.8 percent decline nationally (see charts on page 23). For all of 2001, New England also fared worse than the nation as a whole, with the value of exports dropping 9.4 percent across the region and 6.3 percent nationwide.

Exports from all but one of New England’s top nine exporting industries shrank between the fourth quarters of 2000 and 2001. The value of exports of computers and electronic products, the region’s largest export industry, tumbled more than 40 percent. The value of the region’s industrial machinery, electrical equipment, and fabricated metals exports also dropped significantly — more than 20 percent in each case. The only major industry in which exports rose was transportation equipment, which posted a 12.1 percent...
increase.

Although the dollar value of exports to Canada plummeted by nearly one-third from fourth quarter 2000 to fourth quarter 2001, New England's exports to its northern neighbor were of higher value than those to any other country in 2001. In fourth quarter 2001, the region's exports to Canada were valued at more than $1.6 billion, roughly 20 percent of the total. The value of exports to all other major destination countries also declined, with decreases ranging from a 4.1 percent slip in exports to Korea to a 54.5 percent slash in exports to Taiwan.

Connecticut

Employment in the Constitution State fell 1.3 percent between December 2000 and December 2001, a more sizable loss than either the national or New England averages. The drop in employment in 2001 represented a net loss of over 22,000 jobs and was the first year-over-year decline in Connecticut since 1992. Among metro areas, New Haven lost a smaller percentage of its jobs (1.0 percent) than the other Connecticut metro areas, while employment dropped by almost 2 percent in Bridgeport and Hartford.

Like most of New England, Connecticut's manufacturing sector saw sizable job losses from December 2000 to December 2001. Although the state's manufacturing employment has declined for most of the last two decades, the 6.1 percent decline for 2001 was the largest since 1982. Significant layoffs were announced in 2001 by Union Carbide (chemicals), VDO North America (automotive supplies), Corometrics Medical (cardiac monitors), Ortronics (electronic components), and Phillips Medical Systems (diagnostic equipment). In addition, a major layoff of about 2,500 employees is planned for 2002 at United Technologies (aircraft components). Besides suffering job losses, manufacturing production workers saw weekly work hours decline 3.5 percent.

The 16,000 jobs lost in the manufacturing sector during 2001 was by far the largest loss in any of Connecticut's major industries. Employment declined by more than 3,000 jobs in three sectors: transportation and public utilities (4.2 percent), retail trade (1.2 percent), and services (0.6 percent). Government was the only industry to show moderate employment growth, adding over 5,000 jobs (2.1 percent), while both the construction and the FIRE sectors showed negligible employment growth.

Although the Constitution State's unemployment rate remained below the national and New England rates, it rose sharply, from 2.3 percent in December 2000 to 4.0 percent in December 2001. After reaching a 30-year low in 2000, the state's unemployment rate had reverted to its 1997 levels by the end of 2001. As the unemployment rate rose, the labor force shrank.

Despite the labor force shrinkage, job losses, and rising unemployment rate, per capita income in Connecticut was again on the rise. The state's number one national ranking continued, as per capita income rose 3.0 percent, to $41,930.

Connecticut's housing market improved moderately from fourth quarter 2000 to fourth quarter 2001. Although home prices did not rise as much as they had in the previous year, the 9.0 percent increase in the state's repeat-sales price index was still above the national average. New Haven's market was particularly strong, as home prices increased 12.6 percent. Statewide, existing home sales rebounded with a growth rate of 1.6 percent after shrinking in 2000. Average monthly housing permits recovered from a double-digit contraction and showed growth in 2001.

Like most of the other New England states, the Constitution State saw a reduction in total exports. A drop in the value of machinery exports (down 28.9 percent) and computer and electronic products (down 6.1 percent) accounted for a large part of the 4.4 percent decrease in statewide exports for fourth quarter 2001 compared with fourth quarter 2000. Exports of transportation equipment rose 12.5 percent. The largest destination for Connecticut's goods, Canada, imported 20.7 percent less from Connecticut in the fourth quarter of 2001 than a year earlier.

Through March 2002, Connecticut's nonagricultural employment continued to decline from year-earlier levels, but at a slower rate. Total employment in March 2002 was 0.9 percent lower than in March 2001. Most industry sectors continued 2001 trends through the first three months of 2002, although the retail and wholesale trade sectors showed some growth, while the FIRE sector posted a slight decline.
The state’s unemployment rate also improved between December and March, dropping from 4.0 percent to 3.5 percent.

**Maine**

Maine’s total nonfarm employment netted no change between December 2000 and December 2001, while employment in all other New England states and in the nation decreased. Maine gained 1,600 jobs in the first half of 2001, but employment fell back to its December 2000 level by the end of the year. This performance represented a significant decline from the previous year’s above-average 2.4 percent growth. The last time Maine’s employment failed to grow over the course of a year was in 1995.

The manufacturing sector accounted for much of this slowdown. As in 2000, Maine experienced the largest percentage drop in manufacturing employment among the New England states in 2001. The state’s job loss was greater in 2001 than in 2000, with a loss of 6,500 manufacturing jobs, or 7.7 percent, between December 2000 and December 2001. Shrinking industries included leather (1,100 jobs), electronics (1,000 jobs), lumber (700 jobs), and paper products (500 jobs), where a number of companies either favored overseas production or cut back in response to diminished demand.\(^5\) Consolidation at Eastland Shoe, Prime Tanning, Bass, and Dexter Shoe, as well as layoffs at electronics manufacturers Vishay-Sprague and Sanmina-SCI, contributed.\(^6,7\) Employment in non-manufacturing industries offset this decline, expanding 1.2 percent by December 2001, a greater increase than in any other New England state. Health, educational, and social services accounted for most of the 2,200 new jobs in the services industry. Employment also grew in government, FIRE, and retail trade.

The average number of people in Maine’s labor force contracted 0.7 percent in 2001. This reversed the previous two years’ expansion, when Maine’s labor force grew faster than any other New England state’s. At just 3.3 percent, Maine started off the year with its lowest unemployment rate in more than 30 years, but the rate rose to 4.3 percent by December 2001. This level matched the unemployment rate in New England overall, which was well below the national average and only half as high as during Maine’s last slowdown in 1993. Local annual average unemployment rates varied from 2.3 percent in Cumberland County (which includes Portland) to 8.1 percent in Washington County.\(^8\) Faring better than most New England states, Maine’s average number of weekly unemployment claims increased just 5.1 percent between December 2000 and December 2001.

At $26,385, per capita personal income in Maine remained the lowest in New England in 2001 and ranked 35th in the country. But total personal income increased 3.3 percent over the course of the year, faster than in any other state in the region. Though manufacturing employment diminished, the average hourly earnings of manufacturing production workers increased 6.2 percent, nearly twice as fast as in the nation. In December 2001, manufacturing production workers in Maine earned $15.52 hourly, less than workers in Connecticut or Massachusetts, but above the New England and U.S. averages.

Maine’s repeat-sales home price index rose 10.1 percent from fourth quarter 2000 to fourth quarter 2001. After rising in 2000, the number of existing home sales decreased 11.8 percent from fourth quarter 2000 to fourth quarter 2001. But at 37,500 sales, this number was still 11.6 percent higher than in fourth quarter 1999. The average number of housing permits issued in Maine was 0.4 percent higher in 2001 than in 2000, even as permits declined regionally and nationally.

Maine’s total exports increased by $28 million, or 6.3 percent, from fourth quarter 2000 to fourth quarter 2001, while regional and national exports declined.
This increase was largely because of a moderate rise at the end of the year in computer and electronics exports, which had fallen sharply in 2000. A 3.3 percent slip in exports to Canada, Maine’s largest destination, between the fourth quarters of 2000 and 2001 was more than offset by the 34.7 percent boost in the value of shipments to Malaysia.

As of March 2002, total employment in Maine had increased by 900 jobs since the prior December. Manufacturing jobs continued to diminish, but nonmanufacturing jobs increased, particularly in the services and retail trade industries. Maine’s unemployment rate was 4.1 percent in March, down 0.2 percentage points since December 2001 but up 0.6 percentage points since March 2001.

**Massachusetts**

In 2001, Massachusetts recorded the steepest decline in total nonfarm employment among the six New England states. After nine consecutive years of growth, the state’s employment dropped 1.5 percent, losing 51,300 jobs between December 2000 and December 2001.

Across the Bay State’s metro areas, the largest decreases occurred in Boston and Lawrence-Haverhill, where employment dipped 2.5 percent. Other metro areas all recorded job declines of 1.0 percent or smaller. Employment in the Boston area declined by 53,200 jobs.

Employment tumbled in Massachusetts’ major industries with the exception of construction, government, and FIRE. Construction, led by special trade contractors, recorded the biggest gain (5.2 percent), adding 6,900 jobs. Growth in construction employment was driven partly by the unseasonably warm and dry weather as well as by demands from the Big Dig project and other public construction projects. In addition, the expansion of biotechnology and pharmaceutical facilities added construction demands. Driven primarily by local government hiring, 5,600 government jobs were added during the year.

The growth experienced in Massachusetts’ manufacturing employment in 2000 was reversed in 2001. This sector posted the biggest decline of all industries; 29,300 manufacturing jobs were lost between December 2000 and December 2001, a decline of 6.7 percent. This percentage, however, was slightly smaller than the nation’s, at least in part because of Massachusetts’ smaller concentration of traditional manufacturing industries. Within manufacturing, traditional durable goods industries such as primary and fabricated metals and industrial machinery and equipment, as well as the high technology industries, were hit hardest. The dot-com bust, global high-tech slowdown, and business investment cutbacks led the high-tech manufacturing sector to a reduction of 11,180 jobs (6.8 percent).

Services industries also shed a large number of jobs in 2001: 17,500 jobs were lost (1.4 percent) between December 2000 and December 2001. A sizable drop in business services employment, which made up 20 percent of Massachusetts’ total services employment, accounted for most of the decline. The 39,700 jobs lost in business services employment during 2001 erased a gain of 25,400 jobs the previous year. In contrast, health services, educational services, social services, and engineering and management services all added jobs during 2001.

Unemployment in the Bay State rose to 4.4 percent in December 2001, a level last observed in May 1996. This represented a 1.9 percentage point increase from its trough in August and October 2000. The average number of people in the Bay State’s labor force grew 1.5 percent between 2000 and 2001, the fastest growth in New England and twice that of the nation. All metro areas in Massachusetts, except Springfield, had higher unemployment rates than the New England average in December 2001. Lawrence had the highest unemployment rate, 6.9 percent.

Average hourly earnings of manufacturing production workers increased 4.7 percent from December 2000 to December 2001. At $38,845, Massachusetts had the second highest per capita income in the nation, after Connecticut. Massachusetts’ total personal income grew just 0.5 percent from fourth quarter 2000 to fourth quarter 2001, lower growth than in any other state in the region.

According to the repeat-sales home price index, Massachusetts’ housing prices rose 10.4 percent between the fourth quarters of 2000 and 2001. Although this was smaller than the robust 13.4 percent and 15.5 percent increases seen in 1999 and 2000, respectively, the rise in Massachusetts housing prices was still much higher than
observed earlier in the 1990s. Boston’s median single-family home price of $350,400 ranked third highest among all metropolitan areas in the nation for which data were available (after San Francisco Bay Area and Orange County in California). This price was more than double the nation’s median of $148,000, and was about twice as high as New Haven-Meriden’s, the next highest metro area in New England.

After two consecutive years of growth, the value of Massachusetts’ merchandise exports declined substantially in 2001. The decline is explained by Massachusetts’ concentration in high-tech exports, which took a beating worldwide in 2001. Exports of computer and electronic products, which accounted for 44 percent of Massachusetts’ total exports, declined 37.8 percent between the fourth quarters of 2000 and 2001, while exports of machinery (10 percent of exports) declined 38.7 percent. Exports to each of the states three top destinations — Canada, Japan, and the United Kingdom — were down more than 20 percent.

Commercial real estate in the Boston area was hit hard by the recession. Office vacancy rates in downtown Boston climbed to 8.8 percent in the fourth quarter, quadrupling since the end of 2000. Over the same period, suburban Boston office vacancy rates skyrocketed to 15.3 percent, an increase of 12.8 percentage points.12

During the first quarter of 2002, Massachusetts continued to lose jobs. Over the 12 months ending in March 2002, employment fell 1.5 percent, similar to the pace observed between December 2000 and December 2001. Construction maintained its strong performance as the fastest-growing industry in the state, while both manufacturing and services continued to suffer from job losses at rates comparable to those in 2001. By contrast, the retail sector added jobs, although this positive news should be taken with caution, since a slower than normal holiday hiring buildup led to fewer seasonal layoffs in January and February.13

As of March, the unemployment rate was 4.3 percent.

New Hampshire

The Granite State experienced a 0.8 percent decline in nonagricultural employment between December 2000 and December 2001, the same decrease experienced by the nation, and a smaller decline than that in New England as a whole.

With the exceptions of construction, FIRE, and government, New Hampshire’s major industries saw declines in employment not seen since the early 1990s. Manufacturing was the hardest hit, losing 6,600 jobs, a cut of 6.1 percent. However, New Hampshire’s losses were a little less severe than those for the nation and New England overall. One factor in the decline of New Hampshire’s manufacturing employment was the August closure of two paper mills, causing a ripple effect of other job losses in the north, specifically in logging.14 In addition, Cabletron, once New Hampshire’s largest manufacturing employer, disintegrated into several smaller companies with fewer total jobs, and Corning closed down three manufacturing plants.15

The construction industry, spurred by growth at Pease International Tradeport and increased demand for office and industrial space in southern New Hampshire,16 grew faster than any other major sector in the state. A total of 2,300 construction jobs were added (9.0 percent) from December 2000 to December 2001, by far the fastest pace in New England.

The average size of New Hampshire’s labor force grew 0.5 percent between 2000 and 2001, a little less than the national average of 0.7 percent, but just above the regional average of 0.3 percent. The unemployment rate rose 1.1 percentage points, to 3.9 percent, in December 2001, the lowest among the New England states.

The Granite State’s weekly initial unemployment insurance claims rose the fastest in New England, more than doubling over the 12 months ending in December 2001, and far surpassing the increase in the nation, 17.0 percent, and the region, 41.1 percent. In addition, average hourly earnings of New Hampshire’s manufacturing workers fell 0.6 percent, making New Hampshire the only New England state to see a decline. However, average weekly hours worked increased faster than for the rest of the region, 5.5 percent, from December 2000 to December 2001. New Hampshire’s per capita income was $33,928 in 2001, an increase of 2.3 percent from 2000, and the sixth highest in the nation. Total personal income increased 0.8 percent from the fourth quarter of 2000 to the fourth quarter of 2001.

New Hampshire’s real estate market was mixed
during 2001. Average monthly housing permits declined more than in the region overall, dropping 2.5 percent compared to New England’s 1.5 percent fall. The repeat-sales home price index increased by 9.9 percent over the four quarters of 2001, outpacing the nation’s 7.1 percent gain, but falling below the regional rise of 10.4 percent.

With a 25.2 percent drop in the dollar value of total exports between the fourth quarters of 2000 and 2001, the Granite State experienced a steeper decline than the region (22.1 percent) and the nation (14.8 percent). This fall was due in large part to a 52.8 percent plunge in the value the state’s largest export industry, computer and electronic products. Exports of the second- and third-largest exporting industries — machinery; and electrical equipment, appliances, and components — showed growth of 12.2 percent and 68.0 percent, respectively, but the gains were not large enough to offset the decline in computer and electronic products. New Hampshire’s three major export destinations all saw declines in the dollar value of their shipments from the Granite State, ranging from a 22.0 percent fall in exports to the United Kingdom, to a 37.7 percent decline in exports to Canada and a 56.2 percent falloff in exports to Germany.

New Hampshire’s employment picture stabilized somewhat in early 2002, with total nonagricultural employment increasing by more than 2,000 jobs between December and March. Manufacturing continued to be the hardest hit industry, with ongoing job losses. Except for transportation and public utilities, other industries showed some job gains over the period. The unemployment rate increased 0.2 percentage points, to 4.1 percent, between December 2001 and March 2002, remaining well below the national figure of 5.7 percent.

Rhode Island

The Ocean State lost a total of 2,400 jobs between December 2000 and December 2001. While this 0.5 percent decline contrasts with the 1.8 percent growth in employment in 2000, it is far less severe than the contraction experienced by Rhode Island during the 1990-1991 recession.

Manufacturing employment experienced a sharp descent, dropping 5,200 jobs over the course of 2001. While manufacturing has been declining fairly consistently in Rhode Island since 1985, the 7.1 percent job loss experienced in 2001 was the steepest in a decade. Jobs in the wholesale trade industry also declined sharply from December 2000 to December 2001, dropping 10.6 percent. The transportation and public utilities sector and the retail trade sector each saw employment decline by 0.6 percent.

Not all sectors of Rhode Island’s nonagricultural employment contracted. The services, FIRE, and government sectors all added jobs in 2001. The services industry has served as the main engine for Rhode Island’s long-term employment growth, averaging annual increases of 3.6 percent since 1970. While 2001 saw slower-than-historical growth in services employment, employment in this industry still grew a solid 2.7 percent, adding 4,500 jobs. Employment in FIRE expanded 2.8 percent, adding 900 jobs, while government payrolls edged up 0.3 percent. Construction employment ended the year level with the end of 2000.

The Ocean State’s labor force contracted slightly from an average of 504,800 people in 2000 to an average of 503,600 people in 2001. The state’s unemployment rate rose 0.8 percentage points in 2001, to 5.0 percent. This rate was the highest in New England, but was still lower than the national rate of 5.8 percent, and lower than the state’s 30-year average of 6.4 percent.

Rhode Island’s total personal income growth of 2.7 percent exceeded both the region’s 0.9 percent and the nation’s 1.7 percent growth. The state’s per capita income increased to $29,984, boosting the state’s national ranking to 16th in 2001. However, average hourly earnings of manufacturing production workers in Rhode Island rose just 1.2 percent over the course of 2001, reaching $12.32 in December 2001. This was well below the regional and national average increases.

Rhode Island’s housing sector was strong in 2001. The repeat-sales home price index rose 10.6 percent between fourth quarter 2000 and fourth quarter 2001, slightly outpacing the regional increase and well above the average national increase. During the same period, the median sales price of existing homes in Providence (Rhode Island’s only metropolitan statistical area) increased to $165,400. The volume of existing home sales in Rhode Island increased 3.6 percent, the second largest percentage increase across the region. However, average monthly housing permits
were 9.4 percent lower in 2001 than in 2000. This was the steepest decline among the six New England states and followed an even steeper decline in Rhode Island the prior year.

The dollar value of merchandise exports from Rhode Island rose 3.1 percent between the fourth quarters of 2000 and 2001. Exports of electric equipment contracted 30.3 percent, while exports of machinery nearly doubled. Exports to Canada, Mexico, and Japan, the leading destinations, decreased 7.8 percent, 2.8 percent, and 45.0 percent, respectively.

As of early 2002, Rhode Island’s contraction had ended. Statewide employment increased by 2,000 jobs from December to March, with March 2002 employment levels returning to March 2001 levels. During the same period, the unemployment rate fell to 4.2 percent.

**Vermont**

Despite early positive signs, the Green Mountain State was not immune to the national recession in 2001. Employment growth started the year strong as a result of a booming ski season and expansions by IBM. However, by year’s end, Vermont had lost 4,100 jobs on net, shrinking employment in the state by 1.4 percent over the course of the year, and shedding jobs faster than both the nation and the region. The manufacturing sector saw the biggest decline, losing 3,400 jobs over the year, a 6.9 percent drop. Contributing to this loss were layoffs by manufacturers including Mack Molding and Stanley Tools and factory closures by Ethan Allan Furniture and Saint-Gobain Performance Plastic Corporation. Additional jobs were lost in two separate rounds of layoffs of temporary and full-time workers at the IBM plant in Essex Junction, the state’s largest employer.

The services sector, which employs over 30 percent of the state’s workers, saw small net declines in employment over the year. Job gains in the health services and educational services industries did not fully offset job losses in business services, where annual average employment contracted 4.2 percent in 2001 from 2000. Hospitality services employment (hotels, motels) started the year strong, benefiting from an extended ski season as a result of heavy snows in early 2001. However, reduced tourism during peak leaf-peeping season following the September 11 attacks contributed to a 1.6 percent decline in employment in the retail trade sector. Wholesale trade and transportation and public utilities also lost jobs between year end 2000 and year end 2001, contracting 3.1 percent and 2.4 percent, respectively. On the plus side, employment in the government and FIRE sectors remained strong over the course of the year, growing 2.0 percent and 2.4 percent, respectively. Additionally, the construction industry maintained slight growth in 2001. A few large-scale projects boosted employment, including the Renaissance Project (a new ambulatory care center and joint education and conference center in Burlington), a new Home Depot superstore in Rutland, and a new prison in the Springfield area, compensating for the recent hard times faced by small builders and subcontractors.

Layoffs and declining employment, coupled with an average labor force that grew 1.0 percent between 2000 and 2001, raised unemployment throughout the state. Vermont’s overall unemployment rate reached 4.3 percent in December, the state’s highest rate in five years. Though average unemployment rates were up in every part of the state in 2001, rates varied widely among local labor market areas. The northeastern portion of the state experienced rates as high as 7.4 percent, while the Burlington area fared well at 2.5 percent. In line with rising unemployment rates, the state saw a surge in initial unemployment insurance claims in 2001. Average weekly initial claims increased 54.1 percent from yearend to yearend, reaching a ten-year high.

Despite increasing unemployment, Vermont had the largest gain in per capita income among the six New England states in 2001. However, the state’s per capita income, at $27,992, still ranked in the bottom half of the 50 states and remained almost 25 percent below the New England average. The gap closed slightly in 2001 as Vermont saw faster personal income growth than the other New England states, with the wage and salary component growing 2.1 percent between the fourth quarters of 2000 and 2001, in contrast to an overall decline in New England. A new minimum wage law, effective January 1, 2001,
increased the minimum hourly wage from $5.75 to $6.25, contributing to a 1.8 percent increase in average hourly earnings of manufacturing production workers in 2001.

The Vermont housing market remained strong in 2001 despite a slowing economy. Home prices in the Green Mountain State rose 7.7 percent between fourth quarter 2000 and fourth quarter 2001. While this was the slowest increase among the New England states, it outpaced the national rise of 7.1 percent. Monthly housing permits averaged 6.7 percent higher in Vermont in 2001 than in 2000, in contrast with stagnation and declines elsewhere in New England and the nation. Existing home sales decreased 4.3 percent from the previous year; according to Northern Economic Consulting, Inc., this decline reflects a 7.5 percent drop in vacation home sales, with year-round residential sales remaining even with 2000 numbers.

The total dollar value of Vermont's exports declined by over $500 million, or 51.6 percent, between the fourth quarters of 2000 and 2001. Vermont's export sector was hit harder than any other New England state's, a consequence of the relative lack of diversification in export products and export partners. At the end of 2000, the state's chief export group, computer and electronics products, accounted for 82 percent of the state's exports, owing largely to the presence of IBM. In the face of dwindling global demand for semiconductors, sales abroad of this product group declined 63.2 percent between fourth quarter 2000 and fourth quarter 2001. Additionally, Canada represents the market for more than half of the state's exports; exports to Vermont's northern neighbor were two-thirds lower in the fourth quarter of 2001 than in the fourth quarter of 2000. Vermont's other export destinations and industries also saw declines throughout the year.

The recession continued to color Vermont's economy into early 2002. In March, employment remained 1.4 percent below the year-earlier level, contrasting with slight improvements in the U.S. and New England employment pictures. Job losses accelerated in the manufacturing and the services sectors during the first three months of the new year. Budgetary concerns slowed employment growth in the government sector. However, providing faint signs of possible recovery, employment in all other major sectors improved or remained steady. Additionally, the state's unemployment rate fell to 3.9 percent in March 2002 from its high point in December 2001, and average weekly initial unemployment insurance claims fell below 1,000 in the first three months of the year.
Endnotes:
1 Throughout this article, 2000-to-2001 comparisons are presented as changes between December or fourth quarter 2000 levels and December or fourth quarter 2001 levels. In instances where seasonally adjusted data are not available (such as county-level data) or data are volatile from month to month (such as housing permits and labor force data), annual averages are compared. In addition, this article does not reflect the 2001 benchmark revisions to national employment data released on June 7, 2001, as these data were not available at press time. As a result, comparisons to national employment data should be considered tentative.
2 The Boston CPI is measured every other month and covers eastern Massachusetts through Worcester (excluding Cape Cod), southern Maine (Kittery area), southern New Hampshire, and one county in northern Connecticut.
3 The major exporting industries are defined as those nine industries that constitute the largest shares of New England’s exports. Similarly, the major destination countries are defined as those nine countries that receive the largest shares of New England’s exports.
11 Ibid.
15 Ibid.
16 Ibid.
28 Ibid.