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## **N.E. Economic Partnership forecast for 2008-2012**

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On May 29th N.E. Economic Partnership (NEEP) released its spring forecast which was qualified by the recent reforecast just released by Moody's economy.com after the NEEP forecast had been prepared. All forecasts and reforecasts are for weak to moderate economic activity. However, the local and national economies are demonstrating dogged, if weak and moderate, activity broadly albeit in the range of 1% plus or minus. Mass. which represents 50% of the regional N.E. economic output carried the region and recorded surprising annualized rates of growth for the first two quarters of 2008 of 3% and 2.6% respectively. The forecasters estimated marginal rebound by the nation and region during the second half of 2008.

Nothing was particularly surprising in the presentations by Mark Zandi, chief economist of Moody's economy.com, and the NEEP forecasters from each of the N.E. states. N.H. leads N.E. and outperforms the nation; the remaining states lag national expectations for the forecast period 2007-2012. Maine and R.I. might well be already labeled recessionary even if the region and nation are characterized as growth recessionary. Rebounds in economic activity have been further delayed by the extended housing and credit crises and, more recently, oil and other commodity escalations and related impacts.

Productivity growth rate for Mass. is estimated to be approximately 2.4% which will result in real output gains even with moderate decline in employment. The recessionary-like decline is expected to be mild and the recovery not robust. Mass. is expected to continue to be a high income and high earnings state - 21% higher than the national average wage and salary disbursements per worker at year end 2007. NEEP expects the marginal income superiority to be sustained but narrow to 15% by the end of the forecast in 2012. NEEP expects the summer selling season to settle the single-family market and end price declines by yearend at 12% off the peak prices as measured by the National Association of Realtors. Thereafter, appreciation is expected to be very gradual and moderate reaching 4% annually by 2012. These adjustments in income and housing will bring the ratio of median single family house price and per capita personal income closer to the national norm which in 2005 was 6.5 times versus 8.5 times in Mass.

Jobs drive real estate demand in most property markets. Business investment held up recently and demand for medical technology and science products has been growing worldwide. Mass. employment relies on business spending versus consumer spending to a greater degree than the nation. The state is also less reliant on construction jobs, which have been hurt by the housing slump, than the nation, accounting for 4% of total employment versus 5.3% nationally. Foreign market export sales gains also have favored the local economy. Job growth has been moderate in the local economy and is forecast to be 50% of the national job growth rate for the forecast period and in 2012 to still fall short of pre-recession peak. Otherwise NEEP expects the region will avoid a recession. And further qualifies its forecast by adding the downside risk outweighs the upside

potential. Ponder that!

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