

RPTB1

TRADE AND INVESTMENT PROMOTION PLANNING SYSTEM

90/91 TRADE AND ECONOMIC OVERVIEW

Mission: BOSTON

Country: UNITED STATES OF AMERICA

Two-way trade between Canada and the five New England states in this territory (Massachusetts, New Hampshire, Rhode Island, Maine and Vermont) reached \$11 billion in 1988. Canadian exports declined by 3% to \$6.8 billion and imports from New England increased 15% to reach \$4.2 billion. Our major exports were forestry products (\$1.6B), fish (\$1B), petroleum & natural gas (\$850M), advanced technology products (\$630M), & transportation equipment (\$475M). Our major imports were computers (\$750M), semi-conductors (\$630M) & telecommunication equipment (\$150M).

The New England economic miracle is over. Two major factors contribute to slower economic growth: the downturn in the mini-computer industry & reduced defense spending. The unemployment rate in New England is beginning to converge toward the national average. Over the last 12 months, the largest state, Massachusetts has seen the unemployment rate grow from 3.5% to 4.4% in Sept 89, a significant increase though lower than the 5.2% national average. The manufacturing sector has lost 20,000 jobs, the electronic equipment manufacturing industry alone shedding 10,000 jobs. Competition from more powerful PC's, mostly produced in California, is hurting the mini-computer industry in N.E. The non-manufacturing sector has created 77,000 jobs over the last 12 months. Reduction in defense spending, with Massachusetts having the fourth highest defense prime contract awards per capita, is also affecting the regional economy. However, continued commitment by Washington to new defense electronics may bolster companies in N.E. Speculative building has left a supply of over-priced houses, particularly condominiums, and there are clear signs of excess supply of commercial property. Despite increasing unemployment rates, the N.E. region still has the highest per capita income in the United States at U.S. \$20,191 in 1988, a yearly increase of 8.4% and the highest in the nation. However, these higher incomes do not result in significantly higher consumer spending due to the uncertain economic outlook nationally.

Major infrastructure projects are underway in the Boston area, the major ones being the \$7.3 billion Boston Harbor Cleanup project and the \$600 million Interstate 93 interconnection project. The \$4 billion Central Artery Depression/Third Harbor Tunnel to Logan airport is scheduled to start within a year. These projects will create many opportunities for Canadian exporters of construction products and services, not only in Boston, but in other cities like Portland, Maine and Manchester, New Hampshire, where local American contractors should be busy working on Boston infrastructure projects. With 200,000 employees, the electronics industry continues to offer major export opportunities for Canada. Hardware manufacturers are turning more and more to outside software suppliers when developing new products and new applications. The defense industry remains a major sector with Electronics System Division at Hanscom Air Force Base spending \$4 billion a year on major projects. General Electric in Massachusetts recently received a multi-billion contract for fighter jet engines.

Canada remains the largest fish supplier with exports of \$1 billion in 1988. But fish consumption growth is slowing down and 1989 per capita consumption is forecast to remain around 15 pounds. Resistance to higher prices relative to other proteins and worries about fish quality resulting from beach pollution incidents partially explain stagnant fish consumption