



# Employment SECURITY

32 SOUTH MAIN STREET  
CONCORD, NEW HAMPSHIRE 03301

JOHN J. RATOFF, Commissioner  
DARRELL L. GATES, Deputy Commissioner

## Summary of the New Hampshire Economy, Fall 2003

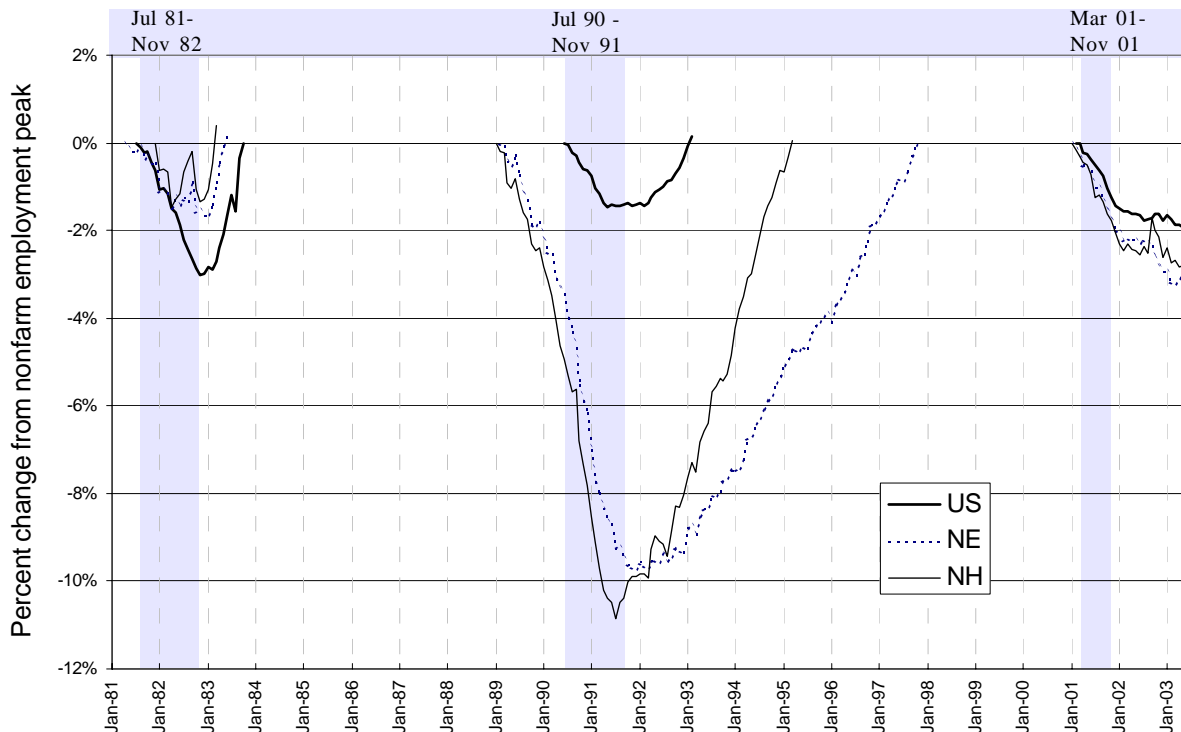
### Overview

Some economists have labeled the most recent national recovery as a jobless recovery. The state has resembled the nation in the respect that job numbers have been slow in improving. Is this because companies are just not hiring or is it a result of structural change within the economy? Maybe both. Many of the companies adversely affected by the economy actually closed their doors or totally moved their shops out of state. New employment has to be found in different industries. This type of realignment could be a strong explanation why the employment levels in the nation and state have not really increased but have shifted

from one sector to another. Employment growth was also hampered by the rapid drop in Manufacturing employment, and the inability of the other sectors to absorb the excess employment. There is a higher level of caution among businesses so it will take more time to create new jobs than it typically did in prior recessions to rehire within the recovering companies.

The recent national recession has some similarities to that of the 1990-91 recession. The course of recovery in both of these recessions saw increased productivity levels with a delay in adding employment to the payroll. The 1990-91 recession had relatively slow

### Lack of turn-up in jobs distinguishes the recovery period following the 2001 recession.



job market increases for an additional 18 months into the recovery.<sup>1</sup> That led the way for the strongest employment growth and the longest lasting period of expansion since the post-war period. Prior recoveries also had a lag in the rebuilding of the job market, but typically that lag time didn't extend beyond one quarter. The major difference with the recent recession is that there continue to be job losses into the recovery period. So how can we expect our state to respond to the current conditions?

Nonfarm employment struggled to reach the seasonal high of the June level. Nine of the first eleven months seasonally adjusted total nonfarm figures in 2003 were below those of the same months in 2002. Even with that the year-to-date average was down only 0.1 percent from 2002.

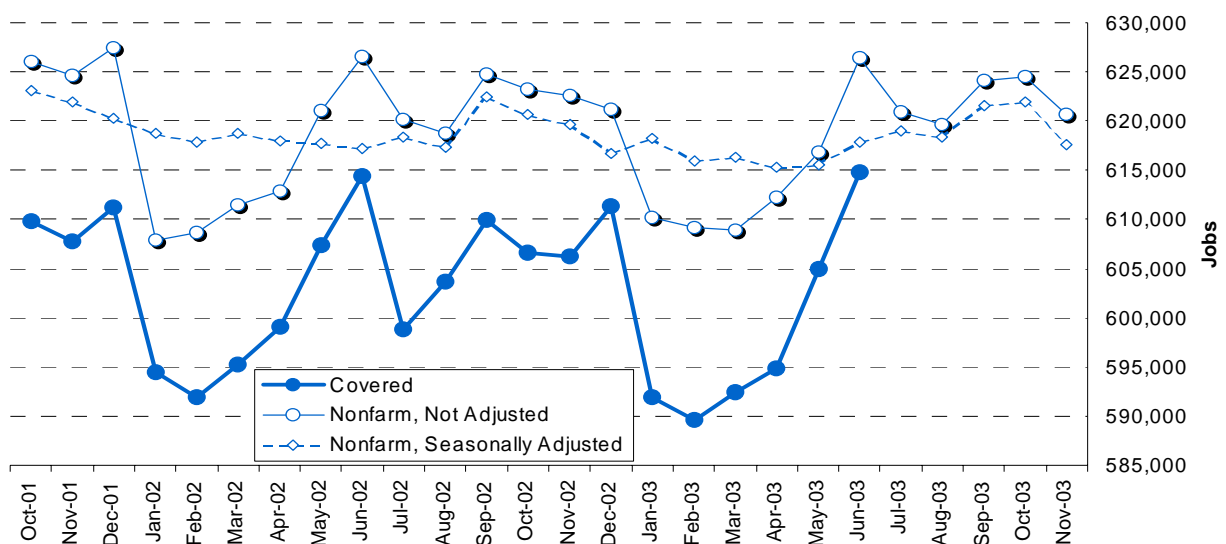
Additional tax stimuli including federal tax refunds in late summer 2003 continued to add available funds for consumer spending. The extension of low residential interest rates spurred more people to refinance their homes. This refinancing wave allowed for different options: reducing the term of the mortgages, or making additional funds available by either lowering payments or keeping similar payments and keeping

out extra cash from built up equity for home improvements or other purchases.

New England's wavering consumer confidence levels exhibited an increase four months running through November 2003, the first time since May 2002. There was a 6.1 percent increase in overall retail sales according to U.S. Census Bureau's "Advance Monthly Sales for Retail and Food Services October 2003". Sales demonstrated strength across all categories except minor declines of less than one percent in sporting goods, hobby, book and music stores and in miscellaneous store retailers.

The State of New Hampshire sent representatives to California in early fall to invite California companies to consider New Hampshire as a prime location to expand or move to. Granite State manufacturing companies continued to struggle, facing foreign competition and downsizing. However the paper factories in the North Country reopened and rehired, providing valuable jobs for that area. High tech industries in manufacturing still experienced some cutbacks between first and second quarters 2003, however at a slower rate (-1.3 percent) than in the same period last year (-2.2 percent).

**Total Employment**



The state budget situation is still an issue. However New Hampshire is still in a better situation than many states. The posting of \$25 million from the federal Flexible Grant to the general revenue fund for Fiscal Year 2003 helped bring those figures to a positive outcome. The budget deficit for New Hampshire in Fiscal Year 2004 is projected to be at only 6.0 percent of the state's budget, compared to neighboring states of Connecticut, Massachusetts, and Maine where the deficits are expected to be more than 10 percent of their respective budgets. <sup>2</sup>

**Personal Income**

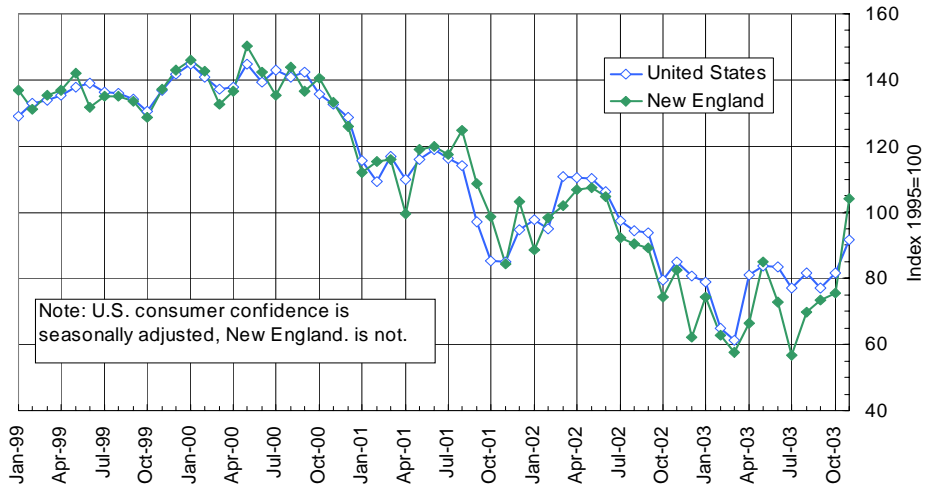
New Hampshire's total personal income, seasonally adjusted at annual rates, for second quarter 2003 was \$44.5 billion. This was an increase of 1.5 percent over the revised second quarter 2002 level, matching the rate of change for New England. This was half a percentage point slower than the rate of change from the same quarters 2001 to 2002. Maine, Vermont and Rhode Island each surpassed the rate of gain of the nation

(2.8 percent). New Hampshire, Massachusetts, and Connecticut, among the top six states for per capita personal income, each had total personal income growth rates below that of the nation.

**Consumer Confidence**

With the uncertainty of the situation in Iraq, and hesitation about major investments with the weak economy, New England's consumer confidence has been shaky at best. The low Consumer Confidence level of 2002 dipped further with an index of 56.8 in July 2003, the lowest level since January 1996.

**New England Consumer Confidence Up Four Straight Months for the First Time Since May '02**

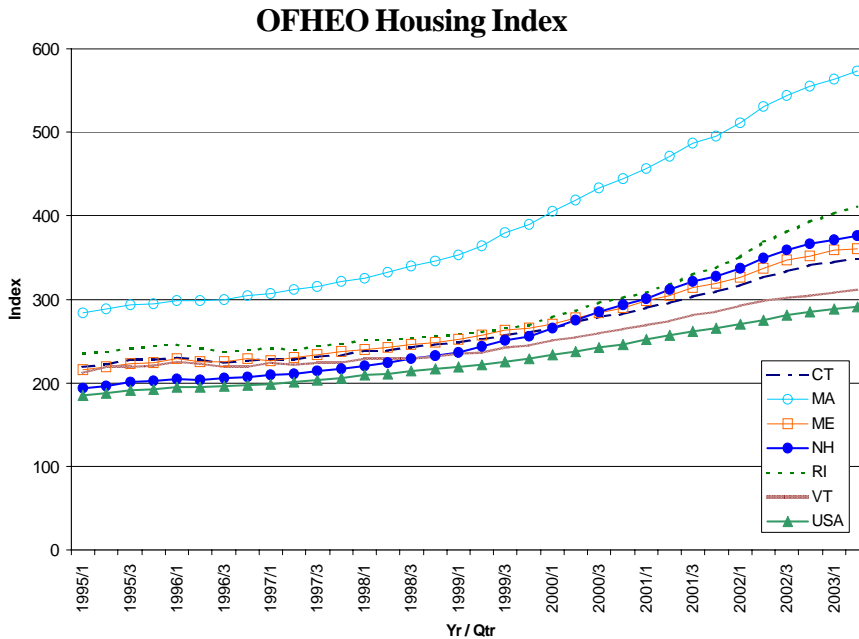


**Personal income - Income by place of residence (\$ millions annualized rates)**

	2001.3	2001.4	2002.1	2002.2	2002.3	2002.4	2003.1	2003.2
<b>Connecticut</b>	145,327	144,542	147,269	148,249	148,840	148,486	150,562	151,432
<b>Maine</b>	34,585	34,753	35,481	35,858	36,141	36,483	37,040	37,358
<b>Massachusetts</b>	248,235	247,332	247,765	252,257	251,714	252,127	252,613	253,436
<b>New Hampshire</b>	42,729	42,722	43,055	43,865	43,847	44,047	44,381	44,519
<b>Rhode Island</b>	32,245	32,261	32,779	33,202	33,467	33,659	34,391	34,239
<b>Vermont</b>	17,685	17,752	17,900	18,093	18,238	18,439	18,547	18,734
<b>New England</b>	520,807	519,362	524,249	531,524	532,245	533,241	537,534	539,718
<b>United States</b>	8,697,083	8,691,889	8,772,204	8,881,691	8,927,635	8,982,839	9,053,499	9,129,313

Encouragement has surfaced since then with the index rising four consecutive months from that point to a November 2003 level of 104.1.

The Federal Reserve Bank of Boston records an index for the price of repeat sales of existing homes (base year 1987=100). In New Hampshire this not-seasonally-adjusted index increased from 158.80 in second quarter 2002 to 171.30 by second quarter 2003. This increase in the index value was the second smallest among the New England states, and was three index points below that of New England as a whole. Rhode Island led the increase in New England with an increase of 23.7 index points over the same time period, almost twice the increase of the United States (12.17 points).



### Housing

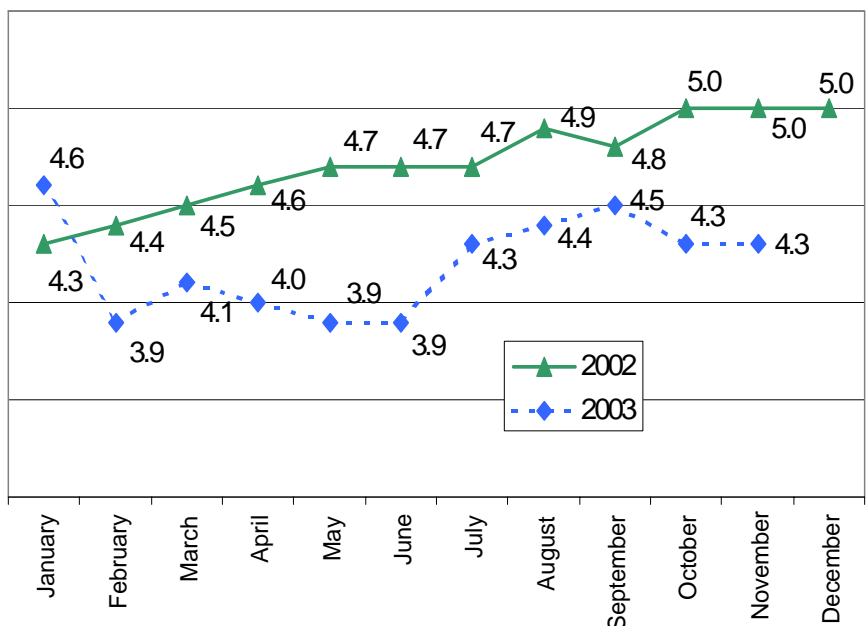
Several indicators are used to track housing prices in our region. The Office of Federal Housing Enterprise Oversight (OFHEO) quarterly housing price index follows the changes in sales prices on a quarterly basis of homes financed or scrutinized by Fannie Mae or Freddie Mac (base year established for this index was 1980=100). All states in the New England region were indexed well above the nation's index of 290.87, indicating that sales prices of home in New England have generally increased at a faster rate than the national average. The index numbers among the New England states were still increasing from first quarter 2003 to second quarter 2003. However the rates of growth were slightly smaller than the rates of change during the same period last year.

### Employment and Unemployment

#### Labor force by place of Residence

New Hampshire's seasonally adjusted unemployment rate has fluctuated since January 2003. The rate of 4.3 percent for November 2003 was lower than the

#### New Hampshire Seasonally Adjusted Unemployment Rate (in percent)

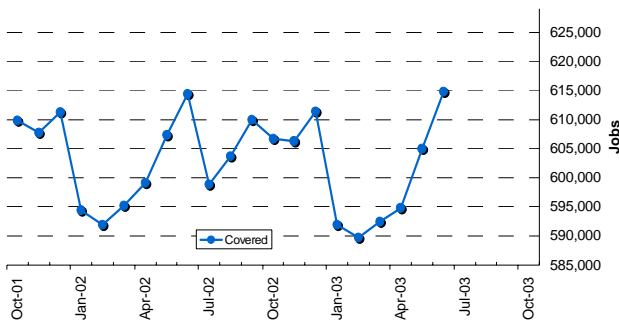


prior year of 5.0 percent. The rate in November 2003 was still well below that of the nation (5.9 percent). The estimated labor force compared to November last year has grown by just over 8,000. The annual labor force estimates will be calculated early in 2004, the average unemployment rate for 2003 will be near 4.3 percent. It is heartening to see the average declining in light of the struggling economy.

**Employment by place of work**  
**Total Covered Employment**

The requirement of businesses to report employment quarterly allows for the management of the unemployment compensation program. These data on “covered” employees are valuable in evaluating the status of the state’s economy.

**Total Covered Employment**



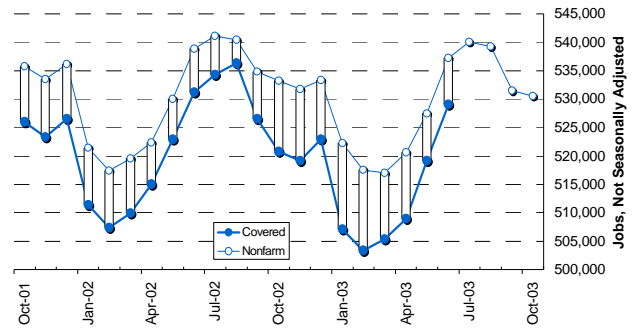
Preliminary June 2003 data highlights the condition of the lingering employment situation. For the second year, second-quarter over-the-year change in employment is negative. Although there weren’t as many jobs lost as last year at this time, the loss from second quarter 2002 to second quarter 2003 was just over 6,200.

Nonfarm employment numbers are gathered from an employer survey and are used to generate estimates on a monthly basis for a more current view of the jobs picture than the quarterly covered employment. The July to October period showed gradual improvement on the payroll scene.

**Private Employment**

Private covered employment from second quarter 2003 was 0.39 percent below the second quarter 2002, just over 2,000 jobs.

**Private Employment**



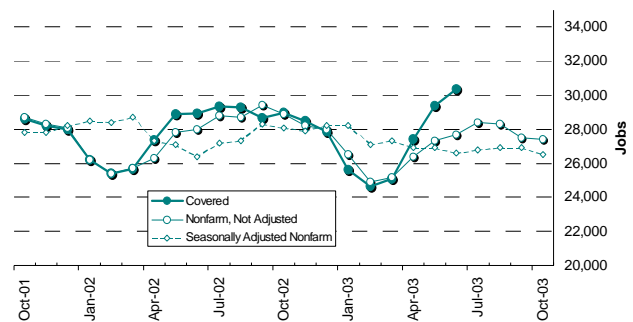
The latest nonfarm numbers show the job loss continuing, though at a slower pace, through October 2003.

**Construction**

Covered Construction employment continued to show strength. That sector grew by 1,400 jobs, a 4.9 percent rate of growth from June 2002 to June 2003.

Nonfarm numbers also suggest that employment within the Construction sector is stable, but given the growth rate in covered employment the nonfarm numbers will similarly be adjusted upward with benchmarking.

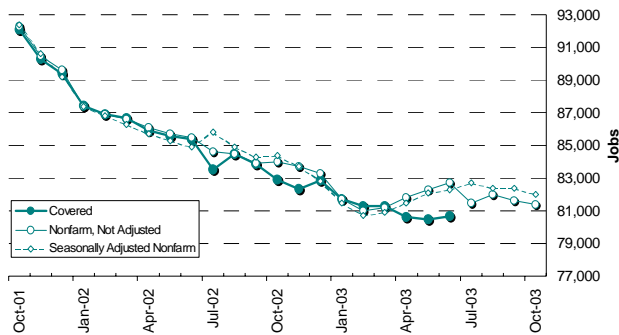
**Construction Supersector**



## Manufacturing

Covered Manufacturing employment continued its downward slide losing 4,700 jobs from June 2002 to June 2003. At least this loss of 5.6 percent over the year was a slower rate than the double-digit rate of decline, 14 percent, the previous year.

### Manufacturing Supersector



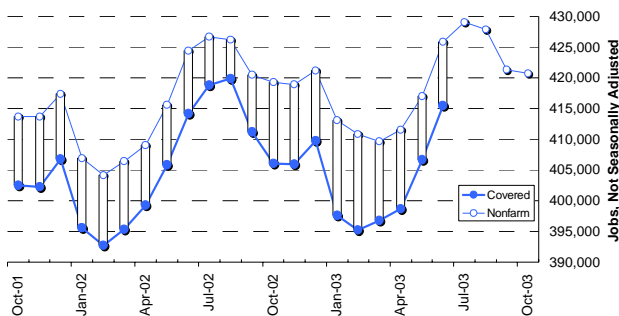
Seasonally adjusted nonfarm estimates also indicate that the payroll declines are slowing in this sector, with a reduction of 300 from June to October 2003.

Durable goods manufacturing continued to take the brunt of the cutbacks in Manufacturing, although nonfarm numbers suggest that employment levels are leveling out.

## Service Providing Employment

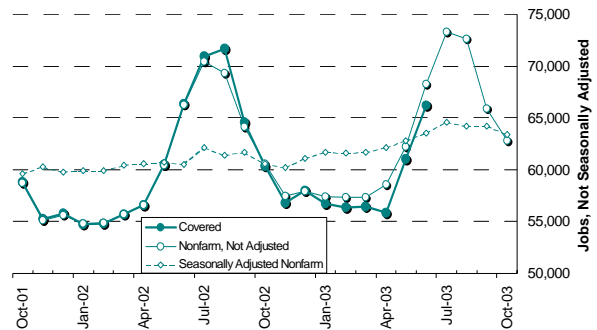
Covered employment of service providing sectors barely grew from June 2002 to June 2003. The increase of 1,200 jobs registered a minimal growth rate of 0.3 percent.

### Service Providing Employment



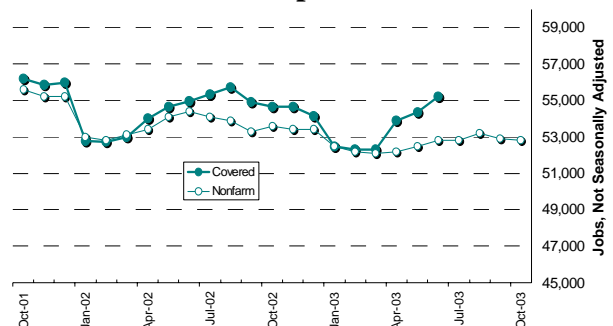
Not seasonally adjusted nonfarm figures illustrate that growth displayed the typical seasonal change from June 2003 through October, with an estimated reduction in total payroll of 5,100 during those months. A primary player in this seasonal change was from the Leisure and hospitality supersector. Seasonally adjusted figures, however, show a similar trend as 2002 at the same time, but at a slightly elevated level. This supersector is anticipating a strong season to come with the presidential primary and the surge of hotel construction especially in the Manchester area.

### Leisure & Hospitality Supersector

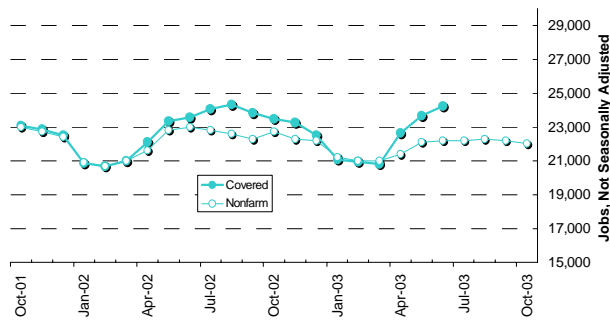


Covered employment within Professional and business services supersector had minimal overall changes of about 250 from second quarter 2002 to second quarter 2003. But that doesn't give a correct picture of the real change over the year. The major players within the supersector were losses in the Professional, scientific and technical services sector (-514), most of those from Computer systems design and related

### Professional & Business Services Supersector

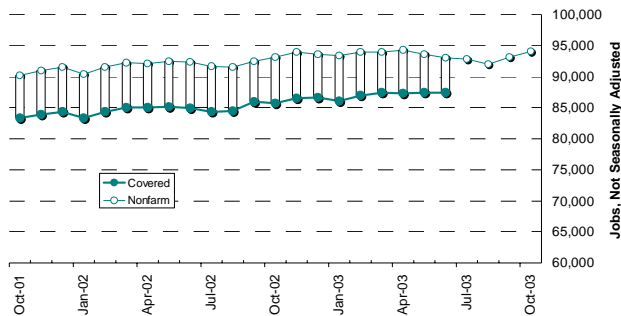


## Admin & Support & Waste Mgt & Remediation Services Sector



services industry (-375). Those losses were covered by gains in the Administrative and support and waste management and remediation services sector (685), all but 34 of those gained positions were from Administrative and support services.

## Educational & Health Services Supersector

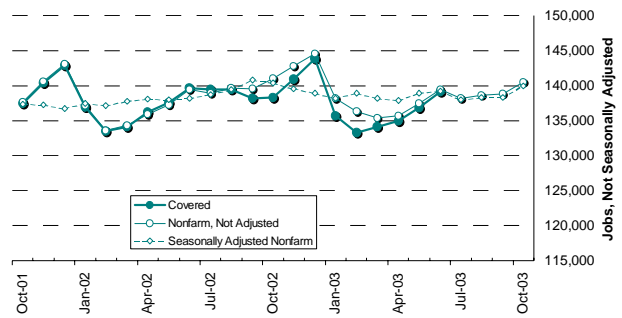


The private Educational and health services supersector demonstrated the largest covered employment growth with an increase of 2,476 over second quarter 2002. Educational services was responsible for 876 of these new positions while the remaining 1,600 were Health care and social assistance.

From second quarter 2002 to second quarter 2003 the Trade, transportation, and utilities supersector cut its forces by 540. The Retail trade sector was responsible for losing 274 of those positions.

Covered employment in Information also lagged, dropping 671 jobs, over 500 of those in the Publishing

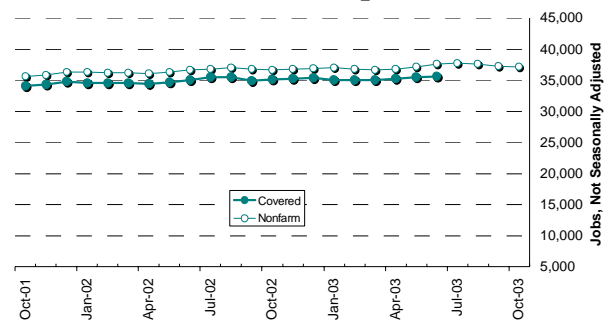
## Trade, Transportation & Utilities Supersector



(except Internet) sector. Telecommunications also suffered over the year losing 312 jobs. Nonfarm figures in the Information sector show the gradual decline continuing from June through October 2003, surrendering another 300 jobs during that time.

Financial activities supersector demonstrated strength with an increase of 604 jobs from June 2002 to June 2003. The Finance and insurance sector contributed a majority of this increase with 457 positions from the Credit mediation and related activities subsector. Nonfarm estimates show the employment level in this subsector receding by 400 between June 2003 and October.

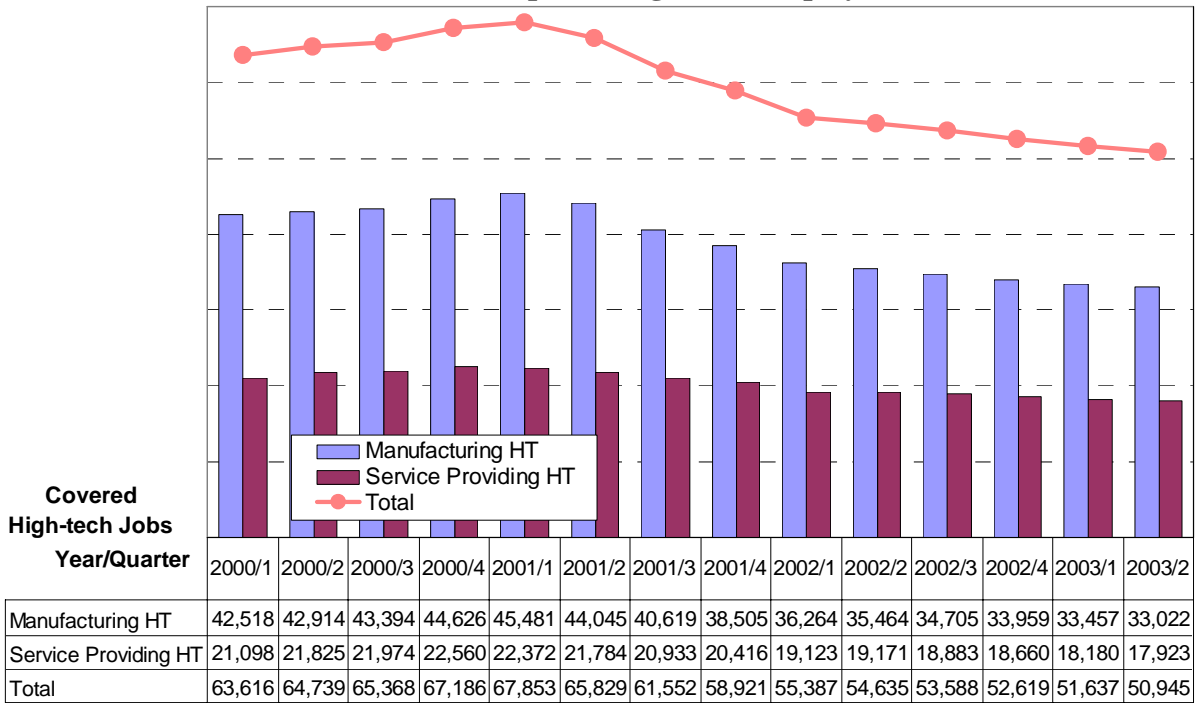
## Financial Activities Supersector



## High Tech Employment

The Bureau of Labor Statistics (BLS) has yet to release a new definition of high tech employment based on the North American Industry Classification

## New Hampshire High Tech Employment



System (NAICS). The Office of Technology Policy under the Department of Commerce converted the BLS high technology list of the Standard Industrial Classification (SIC) into NAICS codes.

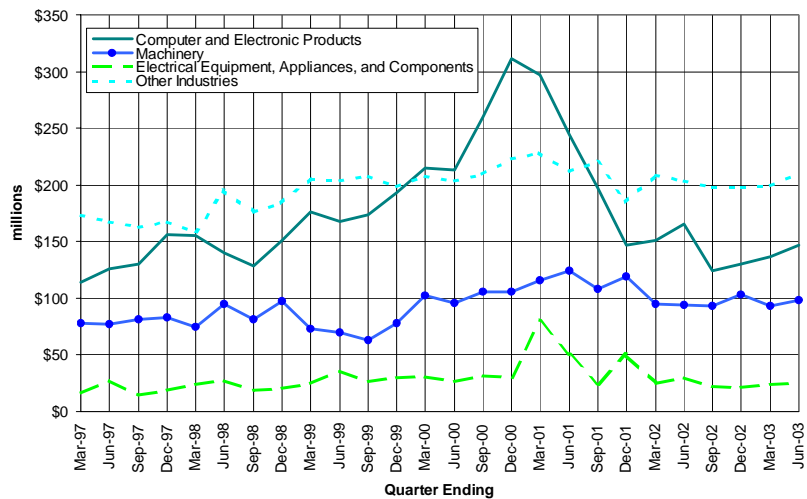
By the common definition of high tech employment that is primarily composed of Manufacturing employment, high tech employment has been very vulnerable with the uncertain economy. After hitting a peak level of 67,853 total employment in high tech in first quarter 2001 it slid to 50,945 by second quarter 2003. While over 3,175 of the lost jobs were in service providing sectors, the remaining 13,733 were from Manufacturing.

### Exports

New Hampshire does depend on exports, but as a small state understandably does not support

the same volumes as larger states. Because of the concentration of high tech production in our state, exports from computer and electronic and electronic products made up over 30 percent of the state's total exports in third quarter 2003. This group was the largest group of all the state's exports. The group has

## New Hampshire Exports by industry



maintained close to one-third of exports since 1997. Exports in this category started to grow in 1999 (to the high 30 to 40 percent range), and exports of those products peaked at the end of 2000 with over 46 percent of the total Granite State exports.

### Unemployment Compensation

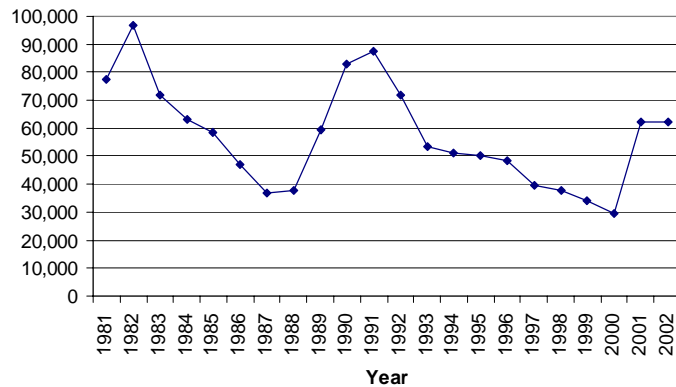
The economic slowdown and recession has had a multitude of effects on unemployment compensation including:

- Temporary Extension of Unemployment Compensation (TEUC) which extended benefit payments 13 weeks after exhaustion of basic benefits;
- Temporary Extension of Unemployment Compensation Airline workers (TEUC-A);
- in New Hampshire, additional benefits available from Reed Act Funds.

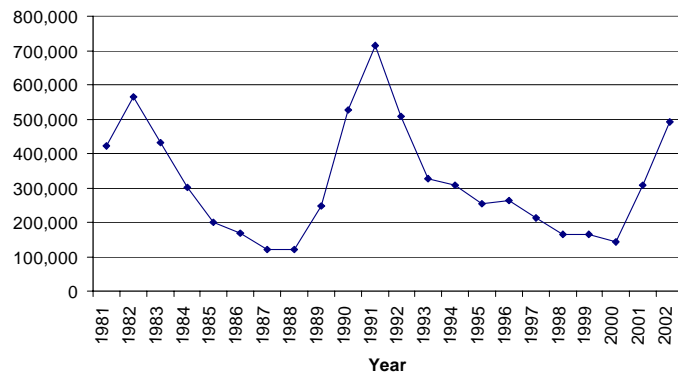
With fall 2003 New Hampshire started the payments of additional unemployment benefits payable to individuals who, after May 31, 2002, had exhausted their benefits under the Temporary Unemployment Compensation Act of 2002. These benefits were payable from the Reed Act funds which had been deposited in the unemployment trust fund account in March 2002. The law was revised to approve payments under this act in July with the effective date to be September 6, 2003. Payment of benefits will terminate upon exhaustion of the Reed Act funds and shall not be paid from any other source. The first payments were made in September 2003, the September and October payments equaled \$2,031,558. The additional funds from the Reed Act are being used to help families and individuals struggling to find work in the weak economy and help spur the economy.

Initial claims, though not dropping to pre-recession levels, have become relatively stable compared to the dramatic increases experienced in late 2001. On the other hand, continued weeks claimed continued to

**Initial Claims, 1981 to 2002**



**Continued Weeks Claimed, 1981 to 2002**



remain high, demonstrating the difficulty individual have getting rehired and an indicator of prolonged unemployment being experienced.

### Conclusion

While well below the peak from December 2000, the state's exports of computers and electronic products have started to grow again. As for all of New England, June 2003 level of exports of computer and electronic products surpassed that of September 2001 and 2002. Meanwhile New England's exports from other industries have grown to bring total exports up to prior levels.

The state's unemployment rate has tracked well below that of the region and the nation for the year. Consumer confidence in the region, though at similar levels as last year this time, are showing signs of improvement. Consumer confidence increased in November for a fourth straight month, a good sign entering into the holiday shopping season, and providing a strong indicator of a recovery.

The waiting game continues. The state's workforce, skilled and educated, is prepared for recovery. Economists anticipate the recovery will be slower than those of the past and have extended recovery timelines a couple of times. The air of continued uncertainty still weighs heavily. Now it's up to businesses to take those steps of confidence to rehire and start building again.

Prepared by:  
**New Hampshire Employment Security**  
**Economic and Labor Market Information Bureau**

Contact:  
**Anita Josten**  
Research Analyst  
(603) 228-4173

<sup>1</sup> Groshen, Erica L. and Simon, Peter, "Has Structural Change Contributed to a Jobless Recovery." Current Issues in Economics and Finance, Vol. 9, Number 8 (August 2003) page 2, Accessed November 4, 2003  
< [www.newyorkfed.org/rmaghome/curr\\_iss](http://www.newyorkfed.org/rmaghome/curr_iss) >

<sup>2</sup> FDIC Outlook, Summer 2003, <http://www.fdic.gov/bank/analytical/regional/ro20032q/na/index.html>, accessed December 1, 2003