

Employment SECURITY

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Summary of the New Hampshire Economy, Fall / Winter 2004

The good news for New Hampshire is that employment levels have been increasing. As one indication of the strengthening economy, the US Department of Labor, Employment and Training Administration announced that New Hampshire has no labor surplus areas for federal fiscal year 2005. These areas are determined by several factors, including a threshold unemployment rate. Even though labor surplus areas are based on two previous years of data, this can be interpreted as a positive sign.

New England's consumer confidence has been trending up over the year. New England's consumer confidence indicator has essentially followed the same trends as the nation as a whole.

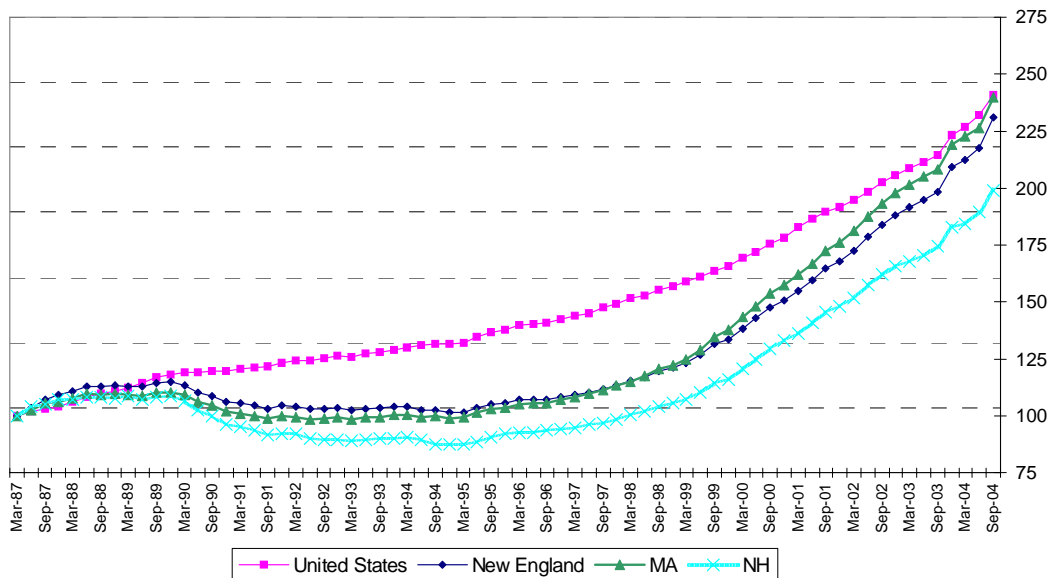
Covered employment has increased over the year (from June 2003 to June 2004), unemployment rates have been declining, and personal income is increasing. Everything indicates the local economy is on the mend.

Housing

Recent historic low mortgage interest rates have helped to spur home sales, causing housing prices in the state to be of major interest. One method of following home price trends is a repeat sales tracking system established by Freddie Mac and Fannie Mae. This quarterly measurement uses 1987 as the base year (1987Q1=100) for measuring repeat sales values. Using this measuring system, New Hampshire's repeat sale prices have continued to climb over-the-year, at a faster rate than the nation, although more slowly than New England as a whole.

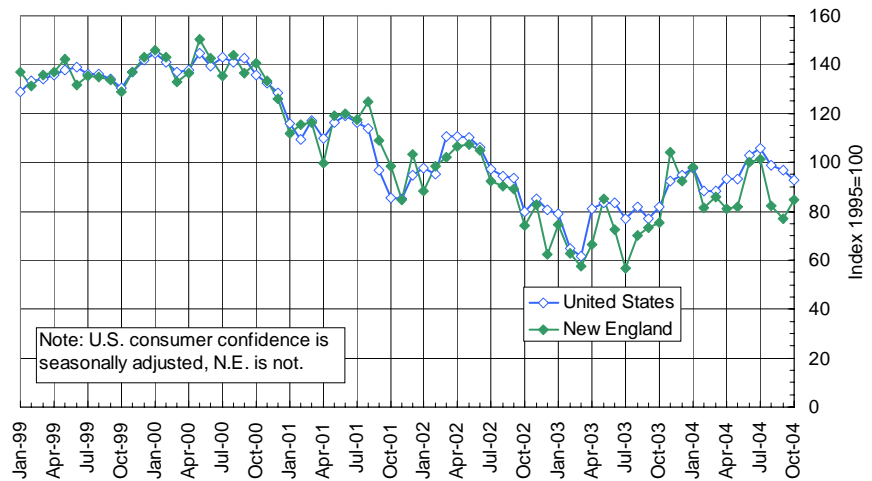
Repeat Home Sales Tracking System

*Source: Freddie Mac and Fannie Mae



Another element that can have a strong impact on residential construction employment is the number of residential permits. According to the New Hampshire Office of Energy and Planning, *residential permits resulting in the net change in the number of housing units increased by 1.4 percent from 2002 to 2003 (the most recent measures). That brought the total estimated number of housing units to 579,211 an increase of 32,687 units since 2000.*

N. E. Consumer Confidence

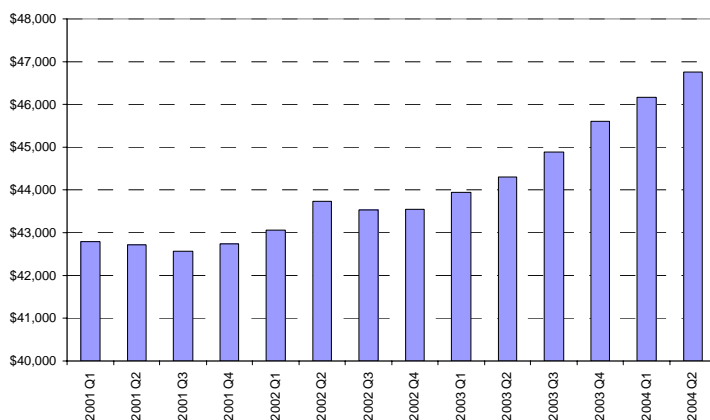


Personal Income

Personal income in New Hampshire grew 1.2 percent from first to second quarter of 2004. New Hampshire's total personal income grew to \$46,749 million in seasonally adjusted annual rates. That ranked the state's total personal income at 38th among the states. (New Hampshire ranks 41st in population). The Bureau of Economic Analysis provides quarterly estimates of total personal income by states and regions.

not possible because the national figures are seasonally adjusted and the region is not. However, comparing the trends of the two areas, in January 2004 New England and the nation were virtually at the same consumer confidence level of 98.2 and 97.7 points respectively. Throughout the year, New England consumers seemed more wary than those of the nation. However the region – without the benefit of seasonal adjustment – did reflect a similar trend as the nation as far as confidence leveling off.

Annualized Personal Income By Year / Quarter



The increase in retail sales is an indication that people are feeling more confident. Businesses in the region reported an improving retail sales environment between September and October, and generally expected the condition to continue to improve during the next six months. This was reported to the Federal Reserve Board through a monthly summary of districts and the Boston District October report released November 26, 2004.

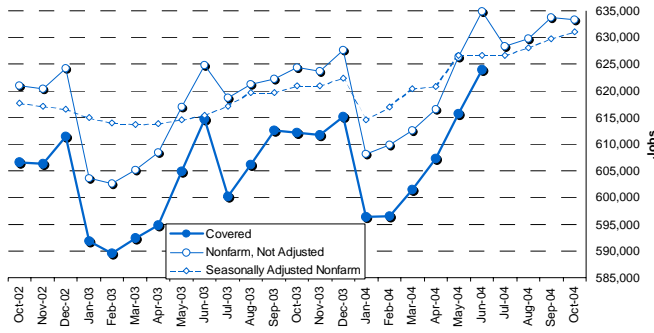
Consumer Confidence

Since January, consumer confidence for New England has been slightly lower than that of the nation. However, New England's trend has typically followed that of the nation. Direct month to month comparison is

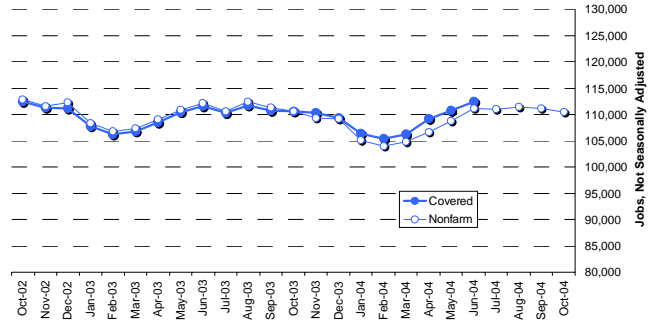
Total Employment

New Hampshire's employment has dramatic seasonal influences. Taking that into consideration, it is best to compare over-the-year changes (for example June to June) in employment figures. New Hampshire's covered employment increased 1.5 percent from June 2003 to June 2004. This increase of over 9,000 jobs was supplied mostly by service providing industries.

Total Employment



Goods Producing Employment

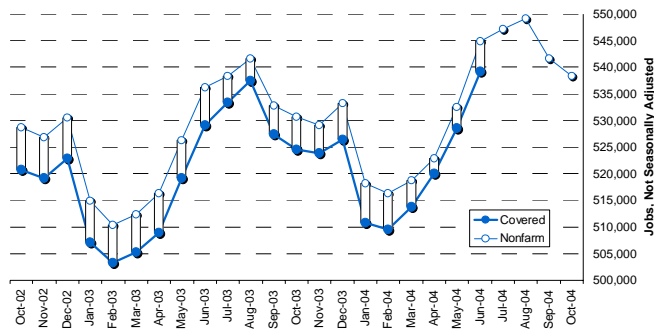


Nonfarm estimates are available earlier than covered employment totals and view the over-the-year trend to a more recent month. These estimates support the perception that the economy is growing and the recovery is strengthening. Total nonfarm estimates also indicate an over-the-year increase of 9,000 jobs from October 2003 to October 2004 and an employment growth rate of 1.4 percent.

Private Employment

Covered private employment experienced an increase of more than 10,000 from June 2003 to June 2004, an over-the-year growth rate of 1.9 percent. Nonfarm estimates from October to October indicate continuing growth kept private employment figures 7,600 above 2003 levels.

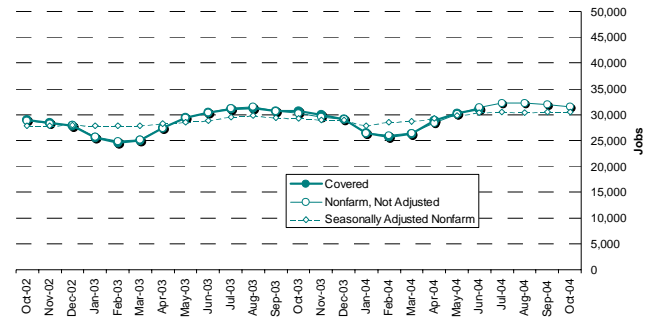
Private Employment



Construction

Construction continues to be the stable element in the goods producing domain. Both employment measures show growth in this supersector. Over-the-year covered employment for construction went up by 758 jobs for June. In October 2004, nonfarm estimates had that number growing to 1,200 jobs over October 2003 representing an increase of 4.1 percent in the supersector.

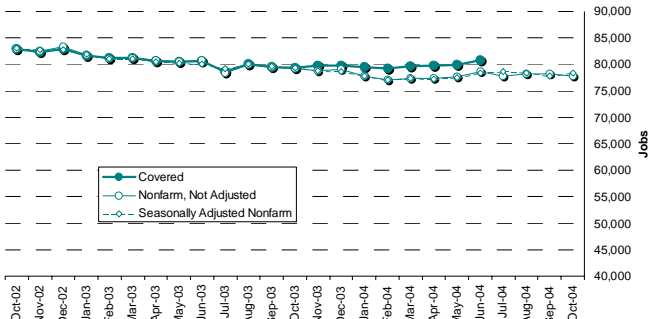
Construction Supersector



Manufacturing

The downward trend of manufacturing employment has started to slow. June 2004 covered employment

Manufacturing Supersector



Goods Producing

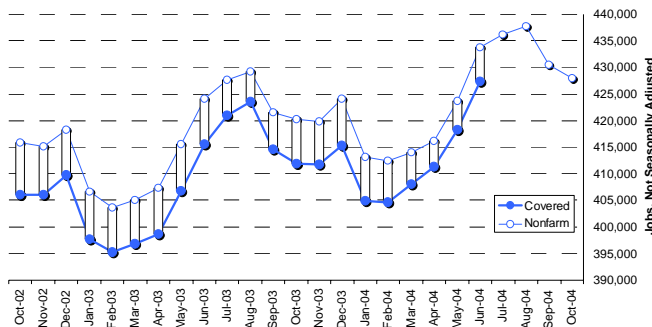
The overall employment picture is improving, including the goods producing domain. Covered employment numbers from June 2004 showed an increase of 972 jobs over-the-year.

indicated a slight increase of 151 jobs over June 2003. While that was a bright spot, October nonfarm estimates indicated a reduction of 1,400 since October of 2003.

Service Providing

Service providing employment has been a focal point of job growth in the state in recent years. Covered employment in this domain experienced an increase of 11,836 positions from June 2003 to June 2004. Few of the sectors in the service providing domain lost employment during the referenced period.

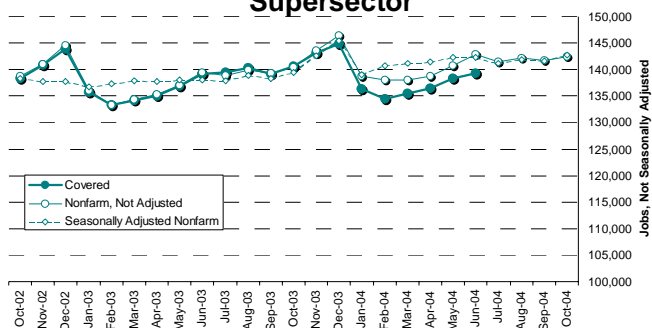
Service Providing Employment



Trade, Transportation, and Utilities

Trade, transportation, and utilities covered employment figures showed a small increase of 141 jobs, similar to manufacturing, from June 2003 to June 2004. The nonfarm estimates from October 2003 through October 2004 show an increase of 1,900 jobs, growing by 1.4 percent over-the-year.

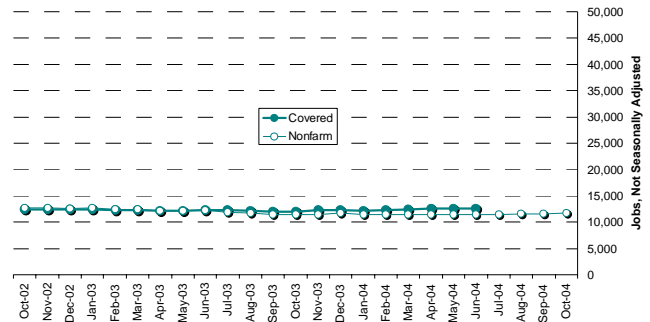
Trade, Transportation, & Utilities Supersector



Information

The Information supersector also had minimal changes over the year. June 2004 covered employment numbers had some signs of optimism as they were 339 over the June 2003 level. The nonfarm numbers showed the supersector’s employment leveling off with a gain of 200 jobs from October 2003 to October 2004.

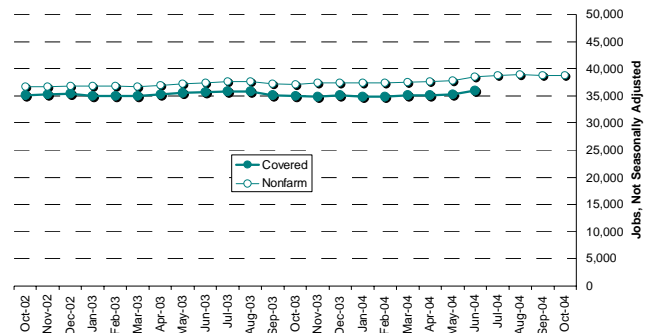
Information Supersector



Financial Activities

The financial activities supersector’s covered employment grew by almost 667 jobs from June 2003 to June 2004. Within the finance and insurance sector, the securities, commodity contracts and other financial

Financial Activities Supersector

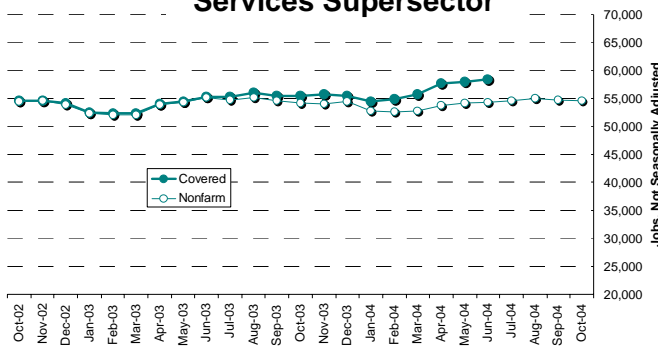


investments and related activities subsector added 251 jobs, and the real estate and rental and leasing subsector contributed 400 positions over-the-year. Nonfarm estimates for the supersector from October 2003 to October 2004 also indicated an upward trend with an increase of 1,600 jobs over-the-year, a growth rate of 4.3 percent.

Professional and Business Services

There were strong signs of optimism from the professional and business services supersector as covered employment in June 2004 increased over 3,190 jobs ahead of June 2003. More than half of those jobs were the result of increases in the administrative and support and waste management and remediation services sector. Nonfarm growth in the supersector stabilized with an increase of 400 jobs from October 2003 through October 2004. However, nonfarm estimates for 2004 have tracked lower than covered employment, suggesting that nonfarm estimates will be adjusted upward when benchmarked in early 2005.

Professional & Business Services Supersector



Administrative and Support and Waste Management and Remediation Services Sector

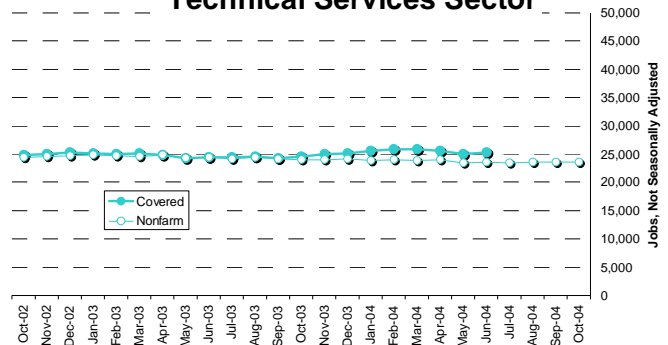
Almost half of the supersector’s covered employment boost, 1,463 jobs over-the-year in June, came from the administrative and support services subsector within the administrative and support and waste management and remediation services sector. Nonfarm estimates from October 2003 to October 2004 leveled out with an 800 job increase over-the-year.

Professional Scientific and Technical Services Sector

There were some good signs from the professional scientific and technical services sector with over-the-year covered employment gains of 824 jobs through June 2004. Over half of these new positions were from computer systems design and related services subsector. Nonfarm figures for the sector as a whole,

displayed a slight drop, estimating October 2004 employment about 400 below October 2003.

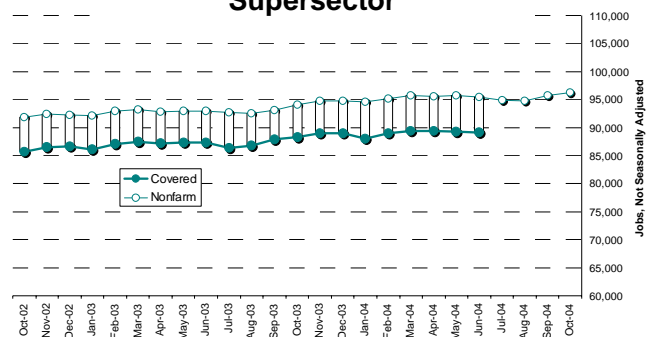
Professional Scientific & Technical Services Sector



Educational and Health Services

With the demands of continuing population growth, and an increasing median age – from 37.2 years of age in 2000 to 38.5 years in 2003 - the educational and health services supersector is reaping the benefits of these needs. Covered employment from June 2003 through June 2004 grew by 1,824 jobs. Nonfarm estimates through October 2004 also show an increase of 2,200 over October 2003.

Educational & Health Services Supersector

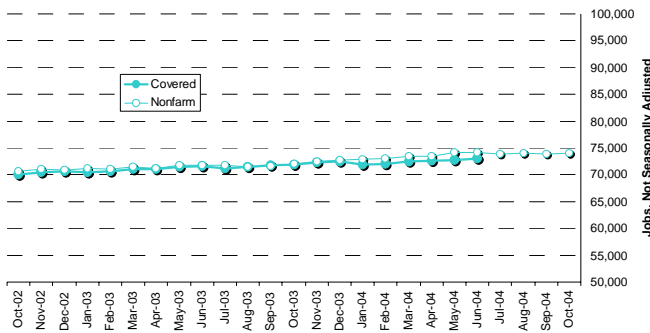


Health Care and Social Assistance Sector

The health care and social assistance sector was the primary cause for the growth in the educational and health services supersector. Covered employment increased by 1,055 jobs in the sector by June 2004. That was heavily supported by the subsectors nursing

and residential care facilities, with a gain of 700; hospitals, growing by 543; and ambulatory health care services increasing by over 300 jobs. For October 2004 nonfarm figures showed growth of 1,900 jobs from October 2003 to a total of 74,000 in the sector.

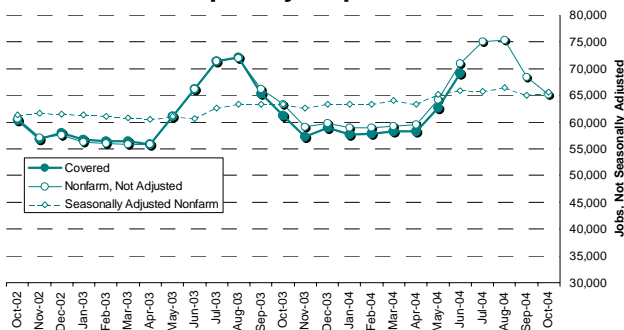
Health Care & Social Assistance Sector



Leisure and Hospitality

Covered employment from June 2003 through June 2004 grew by 2,965 jobs to a total of 69,176 for the supersector. Within this supersector, the accommodations and food services sector saw June's covered employment grow by 2,533 jobs over-the-year, representing more than 85 percent of the supersector's growth. The October 2004 nonfarm figures for the supersector were 1,700 above the October 2003 level.

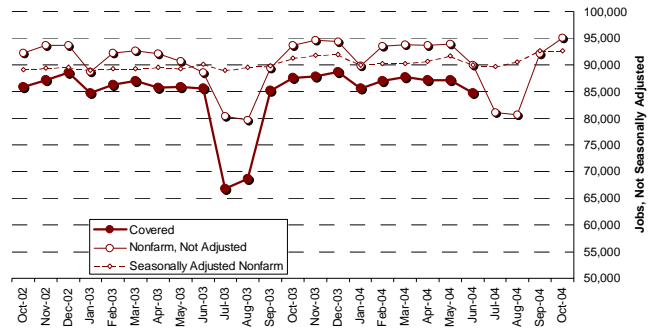
Leisure & Hospitality Supersector



Government Ownership

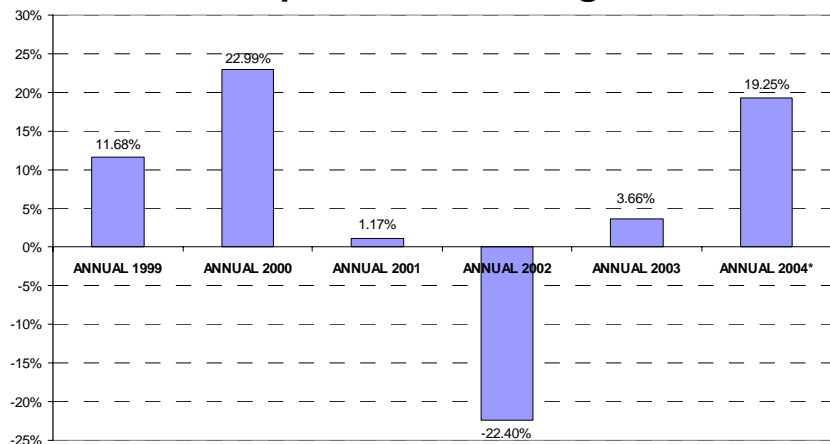
Public schools play an important role in government employment levels, because they compose a large

Employment in Government Ownership



portion of the employment. Covered employment in government was down 827 jobs comparing June 2003 to June 2004. The reductions were primarily from the local government level, reducing their work force by 1,012, most likely due to earlier seasonal decreases. Nonfarm figures brought that forward to October 2004 with an over-the-year increase of 1,400 positions.

Exports Are Growing

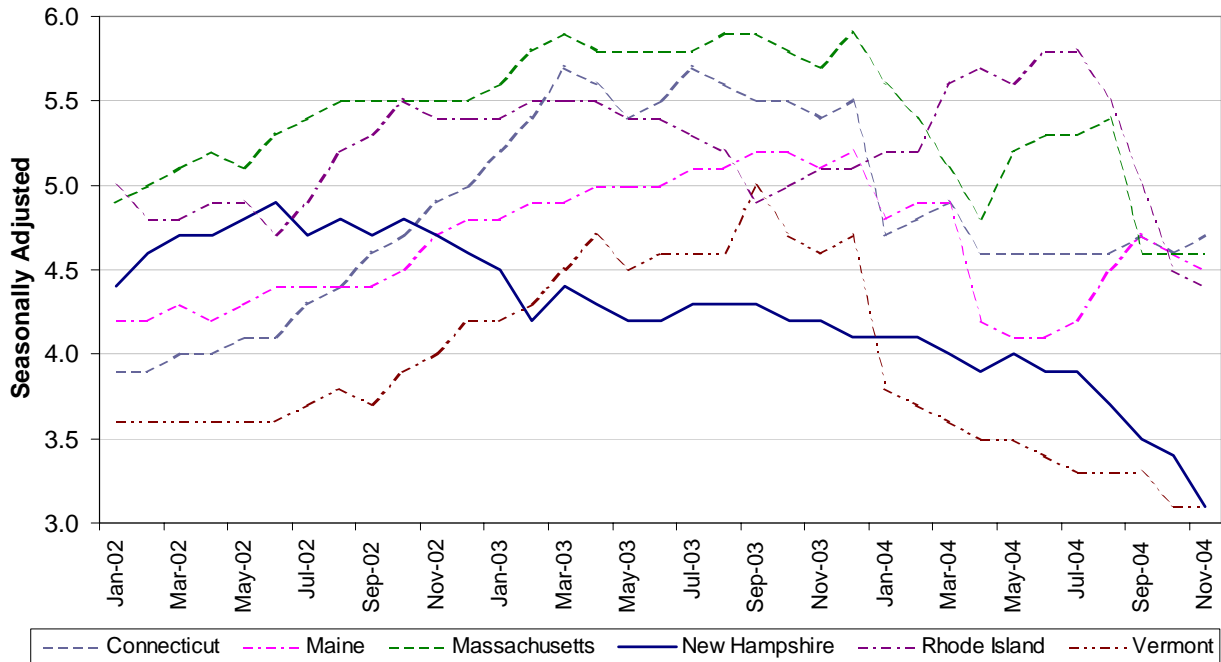


* 2004 annualized through July

Exports

New Hampshire's total commodities export picture started to improve in 2003 with a 3.6 percent increase in sales bringing the total to \$1.9 billion. These export sales in 2004 had more positive news as total commodities for the state showed a strong increase over-the-year of more than 19 percent in July, for a total of \$2.1 billion. This was an improvement to the over-the-year loss of \$537.7 million recorded in 2002. This annual data was prepared by WISER for the Census Bureau Foreign Trade Division, and measures the total value of all commodities exported.

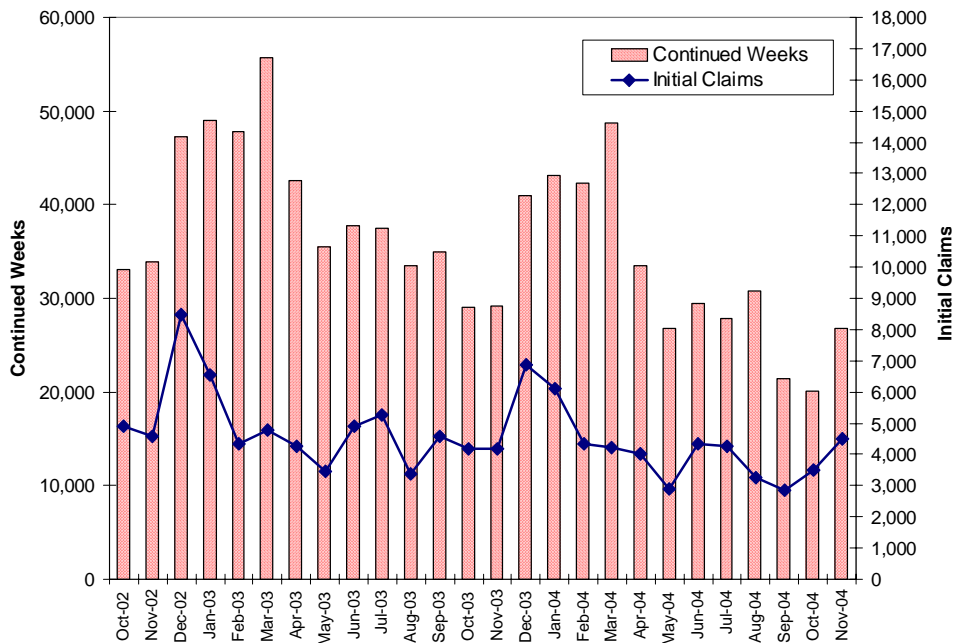
Unemployment Rates in New England - January 2002 to November 2004



Unemployment Compensation Claims

Unemployment

The Granite State has typically had one of the lowest unemployment rates in the region and nation. The Yankee work ethic combined with job growth and a low unemployment rate leads to a strong labor force participation rate. New Hampshire's seasonally adjusted unemployment rate has maintained the second lowest ranking in the region from January through October 2004. In November the state tied with Vermont for the lowest rate in the region.



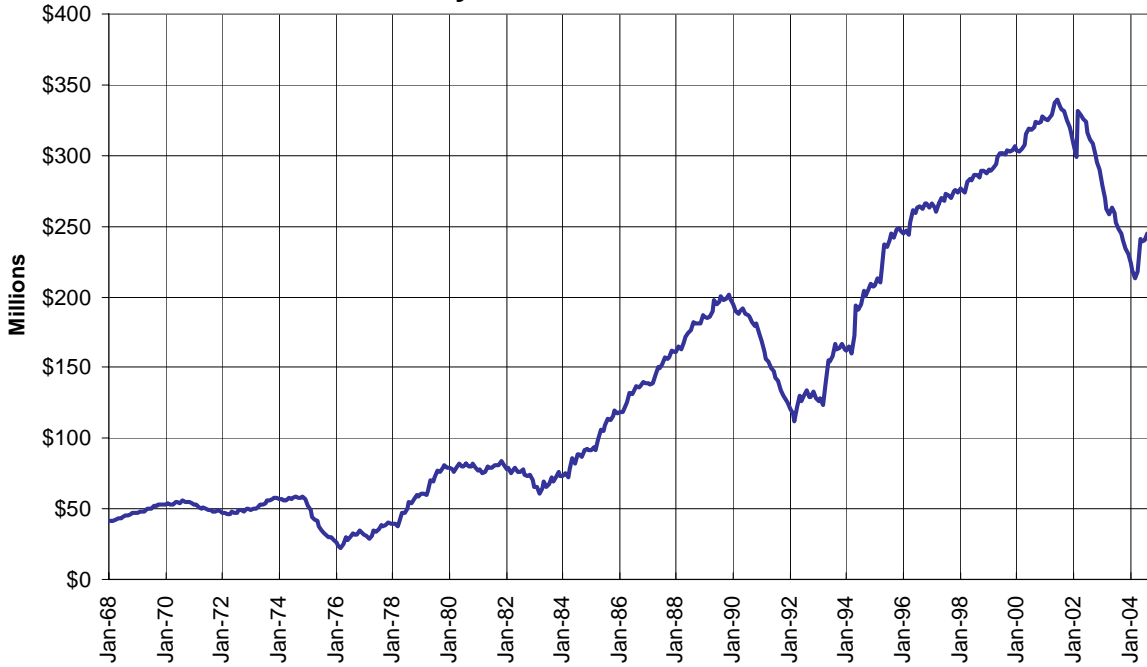
Unemployment Compensation Claims

November 2004 continued weeks claimed were at the lowest November level since November 2000. Initial

claims typically increase over-the-month from October to November, and 2004 was no exception with initial claims increasing over 1,000 over the month.

Trust Fund Balance

January 1968 to November 2004



Note: There was a one-time infusion of funds from a federal Reed Act Distribution in March 2002

Trust Fund

The Unemployment Compensation Trust Fund covers benefit payments for unemployment compensation claims. The Unemployment Compensation Trust Fund balance reached a level that employers lost the reduction on unemployment taxes during the second and third quarters of 2004. The increase of the fund balance, with the reductions in unemployment compensation benefits, allowed for the reduction to be reinstated in the fourth quarter 2004.

Conclusion

The economic signs are strengthening, unemployment rates are down, covered employment numbers are up and nonfarm employment estimates continued that energy through the fall. New news is that after the last few years of uncertainty, companies are starting to again interview graduates on college campuses. Personal income in the state remains strong and consumer confidence is looking better. Manufacturing meetings are addressing the lack of specialized tradesmen to be able to maintain productivity. Retail signals for fall and going into the holiday season were strong.

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