



# 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 2001

Personal Income			
	1990	1999	2000
Personal Income (PI)			
\$ millions	\$23,029	\$37,489	\$40,938
Per Capita PI (PCPI)	20,713	30,690	33,042
PC Disposable Income	18,450	26,486	28,323

The U.S. economy has been in a slowdown for most of 2001. New Hampshire followed, but it did so hesitatingly. Nothing in the data of first quarter 2001 indicated anything was awry in the state. Second quarter stats would have gone unnoticed were it not for the glaring signs nationally. New Hampshire had employment gains and wage growth in both of the first two quarters compared to the same periods in 2000. The unemployment rate stayed far below the national average and employment was growing. The first cloud on New Hampshire's economy was the in-

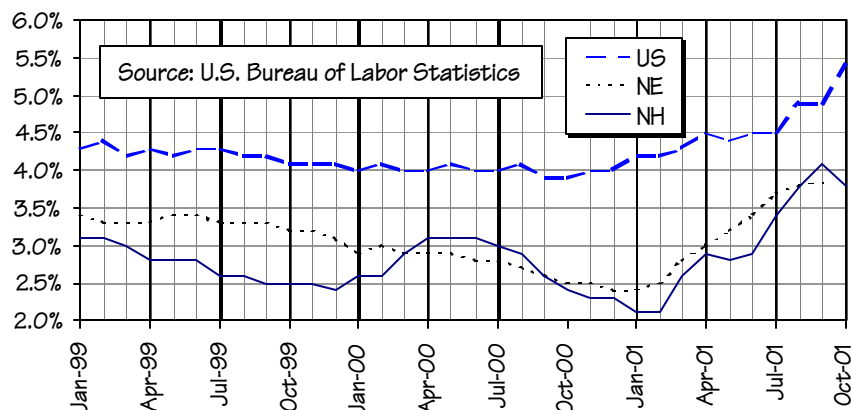
crease in the number of people unemployed. The most overt example of this was the number of claims for unemployment compensation.

Claims		
	Oct-00	Oct-01
Initial Claims	1,649	5,478
Continued Claims	8,033	35,192

### Claims

Initial claims, when a person files to establish eligibility for unemployment compensation, started to climb in April 2000, exceeding 5,000 for the first time since December 1997. A slight dip in May and June preceded a leap to 7,589 in July. The July number was the greatest number of initial claims seen since December 1992. (Typically initial claims spike in July and

Since February 2001 the Unemployment Rate in New Hampshire has been going up more quickly than has the U.S. Rate



Seasonally Adjusted Unemployment Rate, United States,  
New England, and New Hampshire, January 1999 - October 2001

December affected by the manufacturing sector.) The next three months continued the high numbers with 5,313, 4,275, and 5,478 respectively.

Continued weeks claimed, when a claimant submits a request for payment, experienced a similar but slightly lagging trend line. May 2001 climbed past 19,000 for the first time since April 1997. In July the number skyrocketed to 32,968, a level not seen since early 1994. That number abated slightly in August and September, but October 2001 exceeded the July number with 35,192. (Please note that this is not a count of people claiming unemployment compensation. A claimant may have multiple weeks claimed in any given month.)

From April to October 2001 the increase in continued weeks claimed were most prevalent in the Manchester and Nashua areas, with both about tripling to over 6,000. Salem and Portsmouth both doubled to over 2,800. The Berlin area had a dramatic jump in that period, nearly three and a half times the April rate to 3,499 in October. This was no surprise, coming as a repercussion of the closing of the paper mills in Berlin and Gorham.

A sample of claims statewide, taken from the week including the 12th of the month, continued to point to manufacturing as the hardest hit division. Manufacturing, with about 1/6 of total employment, had about half the claims filed in third quarter 2001. Claims activity in the manufacture of electronics and electrical equipment led all other areas. This high tech industry alone recorded over half of all manufacturing claims and, by extension, a quarter of all claims. As expected, given the increased unemployment rate in the Berlin area, the number of continued weeks claimed in third quarter 2001 in the manufacture of paper shot up from under 100 to nearly 3,000.

Labor Force and Components October 2001	
Civilian Labor Force	698,920
Employed	675,520
Unemployed	23,400
Rate	3.3%

### Unemployment statistics

The unemployment rate has been creeping upward in New Hampshire as well as in the region and the nation for much of 2001. New Hampshire's seasonally adjusted rate started the year at 2.1 percent and continued up to 4.1 percent in September. October showed a little dip to 3.8 percent despite the national rate jumping a half a percentage point to 5.4 percent, a rare gap between months. Although New Hampshire remains well below the national average, the years of consistently being among the 10 lowest states in this indicator ended, but possibly only temporarily. The September rate was 19<sup>th</sup> lowest in the nation and fifth lowest in New England, with only Maine having a higher rate. When the final tally for 2001 is in, there is a good chance that the average annual rate will exceed 3.5 percent. The New Hampshire annual rate has been below that since 1996.

The seasonally adjusted estimate of the New Hampshire civilian labor force has hovered around 700,000 for all 2000. October showed 702,090. There has been, however, an inversely proportional slant in employment and unemployment. As 2001 progressed, the number employed decreased, from 681,930 in January to 675,650 in October. Unemployment, meanwhile, escalated from 14,400 in January to nearly twice that in October. July 2001 saw the first over-the-year increase in the number unemployed since September 2000. On the plus side, the state now has extended its string beyond eight years where the unemployment rate has been below the national rate.

## Covered Statewide Employment

	Jun-00	Jun-01
Total	619,723	623,855
Private	540,755	543,816

### Employment and Wages

In June 2001, the latest data available of jobs offered by New Hampshire employers covered by Unemployment Compensation, employment increased by 4,132 jobs over June 2000. Private industry expanded by 3,061 with Government weighing in with 1,071 more jobs. These were disturbingly small numbers when compared to previous years. No year in the 1990s had a smaller June-to-June increase; most were between 15,000 and 20,000.

Wages in covered employment during the first two quarters of 2001 exceeded \$10.6 billion. This surpassed the first two quarters of 2000 by nearly a half billion dollars. Please remember that the first two quarters of 2000 had gone beyond all expectations with \$1.2 billion more than the first two quarters of 1999. It would not have been unreasonable to expect a smaller increase in 2001.

### Consumer Confidence

The October 2001 U.S. Consumer Confidence index dropped to 85.5, the lowest level since February 1994. The index has

two components: Present Situation (107.6) and Future Expectations (70.8). The October 2001 makeup is heavily weighted toward negative future expectations. This category was a dour 70.8. Since the index started in 1981, future expectations have sunk that low only 14 times previously. All but one of those were between October 1990 and October 1993 with only last February as the exception. Of those months in the early 1990s with low future expectations, nearly all had an even lower perception of present situation.

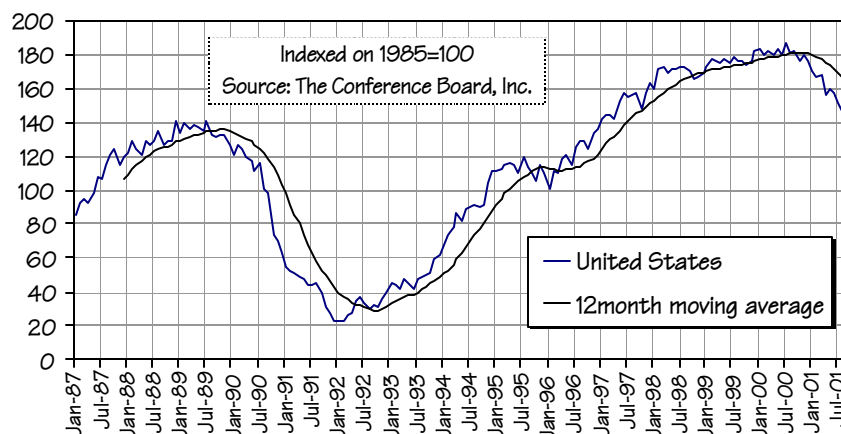
### New businesses

Although talk of layoffs and shutdowns permeated the news, a surprising number of new businesses emerged. A count of active employers covered by unemployment compensation increased by about 400 in the third quarter 2001. This was only 78 fewer than emerged in third quarter 2000.

### Pease Tradeport

The Pease International Tradeport has evolved into an important hub of the New Hampshire economy. Despite recent layoffs in the contract manufacturing sector, the Tradeport is thriving with over 950,000 square feet of new construction underway. Lonza Biologics is expanding its 76,000 square feet manufacturing facility another 250,000 square feet. The company expects to double its workforce to over 650 employees. Two International Group has

Consumer Confidence has been sliding for all of 2001



Consumer Confidence, United States, January 1987 - October 2001

developed six building projects with another four underway, representing a total of 630,000 square feet. Two additional 100,000 square foot buildings are near completion and will be headquarters for Aprisma and Bottomline Technologies respectively. When all current projects are completed, there will be 3.8 million square feet of space and an estimated 9,000 to 10,000 jobs at Pease.

Nonfarm Employment		
	Oct-00	Oct-01
Total All Industries	627,000	625,000
Private	542,200	540,500
Mining	500	500
Construction	26,000	26,500
Manufacturing	105,200	99,800
Transportation & Public		
Utilities	22,200	22,000
Trade Total	165,300	166,200
Finance, Insurance, &		
Real Estate	32,700	32,600
Services	190,300	192,900
Government	84,800	84,500

### Current Employment Statistics (CES)

Nonfarm employment for October 2001 reflected the job losses being discussed daily in the media. Manufacturing industries have taken it on the chin. Estimates put employment there under 100,000, down 5,400 from October 2000. Services were up 2,600 over-the-year, but the engine propelling recent growth, business services, was off 1,600 jobs. Retail trade had minuscule growth compared to previous years.

Covered Construction Employment		
	Jun-00	Jun-01
Total	28,181	29,811
Private	26,506	28,490

### Construction

Construction employment and the result-

ing wages have been the bright beam of New Hampshire's economy. June employment flirted with the 30,000 figure. That level had not been reached since 1989. Most of the state still has a housing shortage.

### Construction Indices (1980 = 100)

There are five construction indices: Total Contracts, Residential Contracts (seasonally adjusted and not seasonally adjusted), Nonbuilding, and Nonresidential. Each index reports the value of the contract when it is let. For example, the generating stations using natural gas, being constructed in Londonderry and Newington, were reported in late 2000. They were one-time contracts and will not show up again.

The *Total Contract* index has been quite strong over the last six reported months – March through August. Four of those six months were above 500. Never in the 32 years of this index has there been such a run. The *Nonresidential Contract* index was propelling much of the strength of the total. In the past 18 months (March 2000 through August 2001) it has fallen below 400 only twice. The average for that span has been over 650. Massachusetts has had a similar run. These numbers reflect a vibrant business sector, willing to make capital outlays.

*Nonbuilding Contracts*, which in 2000 had some of the largest contracts let since the building of Seabrook Nuclear Power station, had a very steady run in summer 2001. After a spike of 908.7 in March 2001, the index was a tight ball ranging from a high of 392.8 in June to a low of 226.3 in August. *Residential Contracts*, whether seasonally adjusted or not, have been remarkably constant. The seasonally adjusted numbers have hovered around 400, varying slightly on either side but averaging 401.5 since January 2000. The unadjusted numbers varied a little more and averaged 414.6 for the 20 months. April through August 2001 averaged a

strong 466.0. All the other New England states, especially Maine, showed strength during the past few months.

Covered Manufacturing Employment		
	Jun-00	Jun-01
Total	106,226	103,500
Private	106,188	103,467

### Manufacturing

Manufacturing started 2001 in great stead. Employment hit a 30-month high of 107,954 in January, dropped an insignificant 44 jobs in February, a more significant 811 in March, then three straight 1,200 job-loss months in the second quarter. In all, the division lost about 4,500 jobs between January and June.

Early indications point to no slacking in Manufacturing job loss. There have been a number of reported layoffs and closings in all parts of the state. Flextronics, the manufacturing offshoot of Cabletron, announced layoffs. Tycom and General Electric in Somersworth joined in. Prime Tanning announced it was closing. Nashua felt the effects of cutbacks by Teradyne. The closing of facilities by Sanmina effected Nashua, Manchester, Derry, Hudson, and Salem. Filtronic Comtek and Texas Instruments had cutbacks in Merrimack. Tambrands is leaving Claremont and consolidating its facility in Auburn, Maine while Hitchiner does the same with its Littleton facility, consolidating back to Milford. The largest single closing, and the one most affecting the area, was Pulp and Paper of America closing its paper mills in Berlin and Gorham and filing bankruptcy.

This is by no means a complete list. The January to June loss of 4,500 merely presages a final tally that could be considerably greater. Manufacturing employment clawed its way past the 100,000 mark in March 1994. It had been mired below that mark since February 1991. There is little doubt that it will fall below again in fourth

quarter 2001. Despite the dour outlook, some companies are coming to New Hampshire and some extant entities are actually expanding. Lonza Biologics manufactures antibodies now in demand and BAE (formerly Sanders) will receive about \$7 billion of the Lockheed-Martin forty-year jet fighter contract award.

Covered TCU Employment		
	Jun-00	Jun-01
Total	26,407	27,519
Private	21,581	22,038

### Transportation, Communication, and Public Utilities

Employment varies only minutely in this division. After years of hanging between 19,000 and 22,000, private employment finally broke 22,000 for the first time in June 2001. A major contributor to the increase was communications employment especially by cable companies.

The closing of the paper mills in Coos County also has an impact on public utilities. Public Service of New Hampshire (PSNH) contracted with wood-burning power plants to buy the electricity the plants produce. PSNH now wants out because the cost of power from these small plants, negotiated in the 1970s when the outlook for cheap oil was dim, is higher than market price. The most recent development in the dispute is the source of the wood. Much of the product to be burned came from the treetops and the forest floor when an area was logged.

Covered Trade Employment		
	Jun-00	Jun-01
Wholesale	33,624	33,236
Retail	135,437	136,532

### Wholesale Trade

This division continued its steady climb. Employment was about 1,000 shy of the

division high point in December 2000 but was up 800 from January 2000. The average weekly wage for this division broached \$1,000 in third quarter 2000 and has stayed there since. The durable goods major group of this division was where most of the employment and much of the good wages reside. Some of the most lucrative wholesalers handle those products related to the typical high tech industries. This division may falter some, but will probably weather the downturn better than manufacturing.

### Retail Trade

June 2000 employment hit a non-December high of 135,886. Wages also outproduced the previous second quarter by \$30 million. Nearly all the increase was in Eating and drinking establishments and in Miscellaneous retail (specifically gift shops). Despite the number, the growth was almost insignificant. Over-the-year second quarter employment growth has been around 3,000 since 1996. In 2001 it was only 1,200. General merchandise stores had employment falling by over 600 jobs. October revenues from the Meals and Rooms tax, based on September transactions, were \$15.1 million. This was \$1 million below projections made without consideration of the events of September 11<sup>th</sup>. A NASCAR Winston Cup race was postponed and many people were hesitant to travel and eat out in the aftermath of the September 11<sup>th</sup> attack on New York. Given these events, the \$15.1 million received was closer to original projections than might have been expected. The next few months are critical. Nationally, many economists are projecting the first over-the-year decrease in Christmas sales since 1953. New Hampshire retailers dispute this, saying they are expecting a good holiday season.

Covered FIRE Employment		
	Jun-00	Jun-01
Total	32,194	33,406
Private	32,107	33,319

### Finance, Insurance, and Real Estate

Employment surpassed 33,000 for the first time in June 2001. Second quarter employment was up 1,200 over-the-year. About half the growth was in security brokers and in those offering investment advice. This division is the hardest hit directly by the falling stock markets and problems derived in the aftermath of the bombing of the World Trade Center. There is a lot of maneuvering by the populace. They are trying to protect their investments, many of which are tied to retirement packages. They also are making purchasing decisions based on interest rates. To boost sales, automobile manufacturers are offering 0.0 percent financing, and it seems to be working. Homeowners are refinancing to take advantage of low mortgage rates.

Covered Services Employment		
	Jun-00	Jun-01
Total	218,774	221,108
Private	177,920	178,987

### Services

Services employment, where over-the-year growth numbers routinely exceed 5,000 and last year jumped over 8,500, had only 1,082 more jobs in June 2001 than in June 2000. Employment in business services was the big issue in Services. That major group, with a spectacular job-growth record of accomplishment dating back three decades, lost over 2,300 jobs June-to-June. For the same period the previous year, it gained 5,600 jobs. Only once since 1972 has business services lost jobs over-the-year. That was 1991 with 900 fewer jobs. This year could easily see that loss doubled. Business services has two major components – personnel services and computer services. Personnel services lost a thousand jobs June-to-June. This reflects the economic downturn. Companies may cut back on temporary help to prevent having to release employees. Meanwhile

computer services gained 200. Contrast this paltry gain with the nearly 3,000 over-the-year gain in June 2000. A third industry in business services includes security and guard agencies. It lost about 1,000 jobs June-to-June, but this industry should turn around as more and more companies look for answers to security questions.

Health services again stepped forward with big over-the-year gains. Of the 2,000 additional jobs in June 2001 over June 2000, hospitals led the way with 1,100 of them. Nursing and personal care facilities added 700. Offices and clinics are in four separate industry groups. The four combined to add over 800 jobs. Clinics, especially walk-in clinics offering testing, may see increased usage and increased demand for their services. As the flu season hits, people may well use a clinic to check for further complications beyond the normal aches of influenza.

The catchall, well-paid major group, engineering, accounting, research, management, and related services, experienced significant gains in the first part of 2001. Its June employment, at 12,597, was an all-time high and their average annual wage was well over \$1,000 a week.

Covered Government Employment		
	Jun-00	Jun-01
Total	80,896	80,039
Federal	8,647	8,193
State	18,905	19,046
Local	51,416	52,800

### Government

Federal employment is down over-the-year but the 2000 figures included census workers. During the last half of 2000 employment lagged to the mid-7,600s. In January 2001, employment jumped as the contract between the U.S. Postal Service

and Emery Worldwide Airlines ended. As the federal government took over the facility, postal employment increased by about 600 jobs. Congress's decision on the fate of airport security could affect New Hampshire's federal employment.

Within local government, 1,200 of the 1,400 over-the-year job gain was in local education. The state gain, on the other hand, was mostly in public administration where there were over 400 more jobs.

### Conclusion

New Hampshire was following the rest of the country into a recession before September 11<sup>th</sup>. The automobile industry was reeling and a number of New Hampshire manufacturers supply that industry. Venture capitalists were becoming stingier. Sales of computer and telecommunication equipment had fallen dramatically. There were a number of layoffs and plant closings announced or taking place.

Then America suffered the loss of, if not its business core, at least a main artery of its commerce. The dipping stock market plunged because of the attack on the World Trade Center. What is New Hampshire's place in post September 11<sup>th</sup> America? Our economy is a blend of trade, manufacturing, and investment. Construction, services, government, and finance support these. We depend on outsiders to come to New Hampshire and buy, play, and enjoy the state. We export, within the U.S. and to other countries, our manufactured products. We also depend on in-migration, again from within the U.S. and from foreign countries, to supplement our labor force. We are dependents, but we are very good at it. We lead the region in population growth from in-migration and in growth of our exports.

There are areas of the economy where growth can occur. Biotechnology will become an important economic engine. New Hampshire, near to the education center of Boston, might reap a benefit from

the availability of that medical and technological expertise. Both our aging population and our vulnerability will combine to demand or require preventative and curative health products. All aspects of employment related to health will expand. There will be continued increases in employment in clinics, especially testing and treatment of ailments which, left untreated, could be deadly. A shortage of nurses is nothing new. The anthrax scare illuminated this. All aspects of security will thrive. Nearly every business will assume the added cost of protective services. This will drive up costs, but will be considered essential.

New Hampshire's tourism will depend more on the motorist and less on the bus and air traveler. As to air travel, the Manchester Airport could hold an advantage despite fewer travelers. Many may poorly perceive Logan Airport because of its place as the launch of the two planes that hit the World Trade Center. Air travelers may consider Manchester Airport to be a well-placed alternative to Logan.

Nothing is certain. Given that, New Hampshire seems to be better placed to withstand a national recession than it was ten years ago.

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

Contact:  
**Martin Capodice, Research Analyst**  
228-4173