



Employment SECURITY

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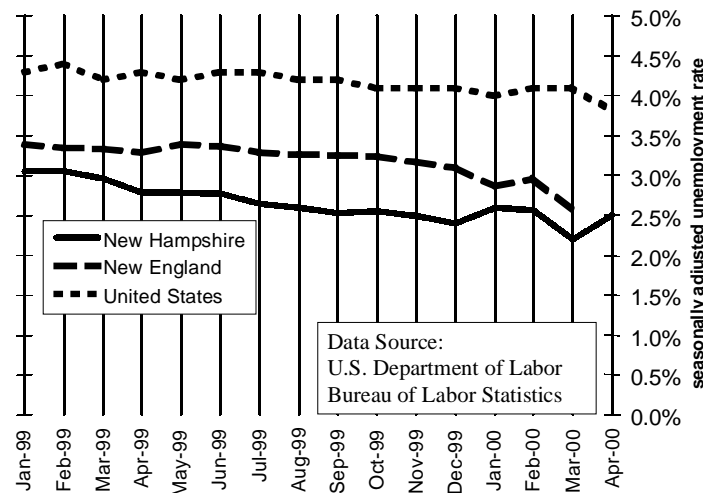
Summary of the New Hampshire Economy Spring 2000

New Hampshire nonfarm employment has grown for eight straight years and shows no signs of stopping in 2000. The state's only longer period of growth occurred from 1958 to 1969. Nonfarm employment estimates date back to 1939. Preliminary seasonally adjusted unemployment estimates in March set the New England unemployment rate at 2.5 percent. This was the lowest rate among the nation's nine census regions. The New Hampshire preliminary March rate at 2.1 percent had tied with Iowa and South Dakota for the nation's lowest rate in March. Connecticut, Massachusetts, New Hampshire, and Vermont, separated by just three-tenths of a percent, were all among the seven states with the lowest rates. All six New England states fell below The U.S. rate at 4.1 percent. New Hampshire's revised March rate, 2.2 percent, released May 11, equaled the lowest monthly rate in the current estimating series (matched in

March 1988) which stretches back to 1978. In preliminary estimates for April, the New Hampshire rate edged up to 2.5 percent. The U.S. rate dropped to 3.9 percent in April — its lowest monthly level in more than 30 years.

The New Hampshire unemployment rate has continued on a downward trend. The average annual unemployment rate for 1999 was 2.7 percent, down 0.2 percentage points from 1998. Through the first three months of 2000, the not seasonally adjusted unemployment rate averaged 2.9 percent compared with 3.5 percent during the first quarter of 1999. The March not seasonally adjusted rate at 2.5 percent was lower than for any previous March in the current estimating series. New Hampshire unemployment rate estimates dating back to 1969 show no previous March rate lower than 2.6 in 1969. The preliminary April rate at 2.6 per-

While the U.S. rate dropped less than ½ point thru March, the NH and NE rates dropped nearly a whole point.



cent tied the previous low in the current series set in 1988. Extending back to 1969, this April level was tied only in 1969 and 1970.

New Hampshire's labor force has continued to grow. The average number of the state's civilian residents counted in the labor force in 1999 grew by 2.2 percent in 1999 with 15,300 more employed and 860 fewer unemployed. During the first quarter of 2000, not seasonally adjusted, it averaged 675,930, rising 3.5 percent compared to the same period in 1999. At the same time the number of unemployed New Hampshire residents fell by 15.0 percent to 19,270. Preliminary April estimates saw an over-the-year growth of 2.8 percent to 680,700.

The total number of initial claims filed for unemployment insurance benefits decreased by 11.6 percent in 1999 though continued weeks claimed edged up by 1.4 percent. In the first quarter of 2000 initial claims for unemployment compensation dropped by 18.2 percent compared to first quarter 1999; continued weeks claimed shrank by 0.2 percent.

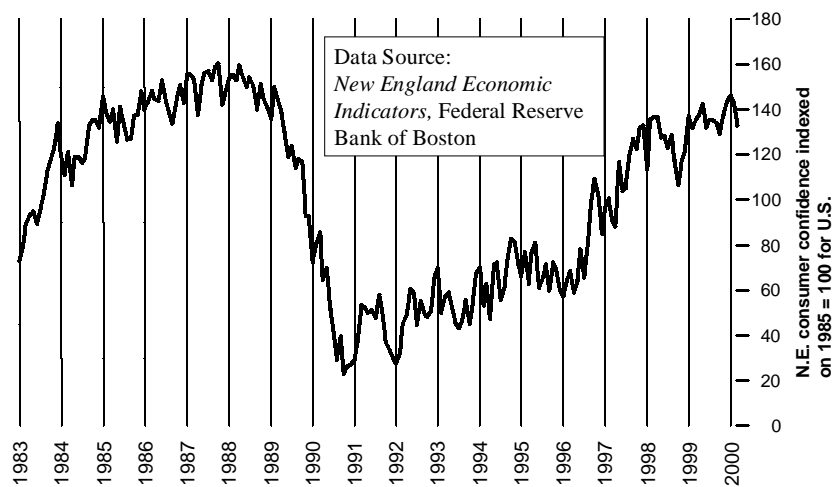
Nonfarm employment continued to expand. Recently rebenchmarked nonfarm estimates showed that total employment in New Hampshire cracked the 600,000

barrier for the first time in December of 1998. In 1999 total employment averaged 604,600 increasing by 2.6 percent. Estimates of total employment, not seasonally adjusted, averaged 604,200 in the first quarter of 2000; an increase of 14,200 jobs or 2.4 percent over first quarter 1999. April's preliminary 607,400 saw the over-the-year gain slip to 1.3 percent.

The Conference Board's New England consumer confidence index in January hit 145.9, its highest level since the 150.0 of August 1988. It stayed above the 140 level for three straight months, December 1999 through February 2000. Losing some of its buoyancy in March, it slipped to 132.7, slightly below the 135.5 recorded in March 1999. The March 2000 current situation index remained high at 191.5. It was the twelfth month of current situation indexes above 180. To find a longer stretch, above 180, again requires going back to 1988. The New England index is not seasonally adjusted. It is indexed against the U.S. index for which 1985 = 100.

In January the U.S. consumer confidence index, which is seasonally adjusted, hit 144.7, its highest level since the series began. From then it slipped a little each month to April's 136.9. Still it was up by 1.4 from April 1998. Some retrenchment was to be expected following January's

Though New England consumer confidence has continued to surge, it has not yet matched the exuberance level reached in the late 1980s.



historic high. Future expectations rose in April. April's stock market volatility apparently did little to dampen consumers' exuberance.

The Federal Reserve Board's May "Beige Book" reported that the residential real estate markets in New England had remained stable over the previous quarter. Due to a lack of inventory, single-family homes and condominiums were selling very quickly. Many properties received multiple offers, some above the asking price. The January "Beige Book" had reported that selling prices rose at an above-average pace in Massachusetts and New Hampshire in 1999. New England sales volumes in 1999 did not vary much from their 1998 levels, in part because of low inventories in many areas.

The New Hampshire housing market shows continued vitality. Sales of existing homes in 1999 were up substantially from 1998. The average selling price of a house in New Hampshire was up over-the-year by 10.4 percent in the fourth quarter of 1999, based on the Office of Federal Housing Oversight's repeat sales index. This was the fourth fastest increase in the nation. Both the number of single family housing permits and total housing units permitted grew by 4.9 percent from 1998 to 1999.

According to data kept by the U.S. Bankruptcy Court in Manchester, there were 4,677 total bankruptcy filings during the twelve-month period ending in April 2000, a 16.6 percent decrease over the same period a year earlier. Year-to-date bankruptcies were down 10.6 percent over January to April 1999.

Total 1999 New Hampshire merchandise exports were nearly \$1.930 billion. This amounted to an increase of 11.7 percent from 1998. Through February 2000 year-to-date exports exceeded those for the January and February 1999 by 17.0 percent.

Construction

New Hampshire's construction industry continued its climb. Employment averaged 24,400 in 1999 — the highest level since 1989. It grew by 6.6 percent from 1998 to 1999. Nationwide, construction grew by 4.8 percent. Construction employment in July was the highest for any month since December 1989. Preliminary estimates for April 2000 showed an increase of 1,800 jobs over April 1999, representing a 7.6 percent gain.

Construction employment in 1999 was 29 percent higher than its average for the prior ten years. Nationwide, construction employment was 22 percent over its prior ten-year average.

In New Hampshire construction employment usually experiences seasonal peaks between July and October and valleys between January and March. From 1999 to 2000, the high month to low month employment difference was just slightly over nine percent. This was the smallest off-season drop in the nonfarm construction employment series, which dates back to 1939. The seasonal drops in construction become shallower during good economic times. Resourceful New Hampshire contractors have been able to find ways to work through our winters when work is available.

The New Hampshire Association of Realtors' 1999 statistics showed steady activity in the existing homes sales market. The total number of sales closed in 1999 statewide was 19,488. This represented a gain of more than six percent over the number of units sold in 1998. The average sales price of \$144,895 was eight percent more than in 1998, while the total sales dollar volume grew 13.4 percent.

The number of housing permits issued in New Hampshire extended its record of growth each year since 1991. Total housing units permitted for 1999 grew by 4.9 percent compared to 1998. Single-

family permit counts also grew by 4.9 percent. Permits for units in multi-unit buildings rose 4.8 percent. This is encouraging because, as labor markets tighten, one factor that has the potential to slow economic growth in New England is the region's high cost of housing. A growing shortage of affordable housing had been developing for a sizable segment of the New Hampshire population particularly in the southern regions of the state. The New Hampshire Housing Finance Authority each March conducts a survey of residential rental costs. According to its *1998 Residential Rental Cost Survey* monthly rent for a two-bedroom apartment in Nashua averaged \$852, in Portsmouth \$878, and in Derry, \$864. Housing permit activity is off to a slow start in 2000 with total permits for the first quarter off by more than 11 percent from a year earlier.

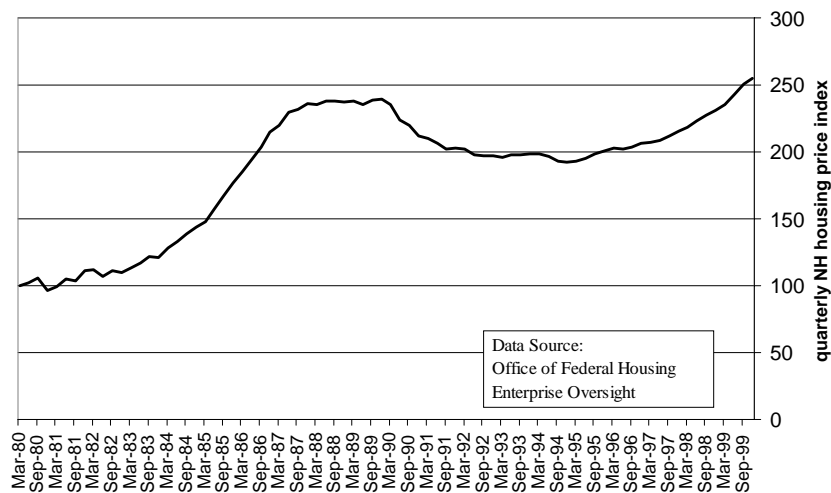
The average selling price of a house in New Hampshire was up by 10.4 percent in the fourth quarter of 1999, second in New England to Massachusetts' 12.6 percent, according to the housing price index published by the Office of Federal Housing Enterprise Oversight. The two states ranked first and fourth in the nation. New England led all regions with a 9.7 percent increase. The New Hampshire index reached 255.07 in December 1999. The

last three quarters of 1999 each established new New Hampshire peaks for this series. Prior to that, the ten highest levels had been in ten consecutive quarters beginning with the fourth quarter of 1987 and ending with the first quarter of 1990.

The not seasonally adjusted index of construction contract awards produced by the F. W. Dodge Division of the McGraw-Hill Information Systems showed New Hampshire with a loss of 5.4 percent for total construction contracts but a gain of 5.6 percent for residential construction contracts in 1999. The loss in total construction was attributable to a drop of 38 percent in nonbuilding contract awards. The drop followed a 1998 increase of nearly sixty percent that was largely driven by major natural gas pipeline construction completed early in 1999. The total construction index for 1999 was 43 percent higher than the average for the ten previous years. The average of the total contracts index for the first two months of 2000 was up by 2.2 percent. It exceeded the average index for the same period in the previous 10 years by over 43 percent.

The March 2000 issue of *Business NH Magazine* listed "The Top 20 Construction Deals of 1999." The projects ranged in value from \$6.3 million, for an addition to

In 1999 the New Hampshire housing price index pushed on past its late 1980s high.



Plymouth Regional High School, to \$175 million, for a Natural Gas Power Facility in Newington. The grand total for these top twenty construction deals of 1999 is \$512.9 million dollars. Seven different categories were represented overall. The categories and price tags in millions were: Airport—\$20.9, Public Works—\$30.9, Residential—\$10, Retail/Office—\$52, Schools—\$204.1, Sports/Entertainment—\$50, and Utilities—\$175.

Groundbreaking for the new \$70 million, 10,000 seat, Manchester Civic Center took place in April. It is expected to open in November 2001. An American Hockey League franchise is lined up as a major tenant. Construction on Concord's Conference Center, which had been scaled down from the original "civic center" proposal, is well under way along with its attached Marriott Courtyard Hotel. These and several other buildings have been poking above the ground like daffodils in spring on the long-abandoned site of the former Concord Lumber Company. In addition, to the west of that site, the former Page Belting Company manufacturing complex is being converted to affordable apartments for the elderly, and offices. By fall \$25 million worth of construction is expected to be complete, anchoring the northern end of an area targeted for redevelopment by Capital City officials, and which has been dubbed the "crud corridor." This is a core of disused and deteriorating old industrial, commercial, and railroad sites adjacent to Concord's downtown business district that runs north-south from Fan Road to the Bow line. A facelift, just underway, of the old Capital Shopping center is tied in with this effort.

A startup manufacturer, Alliance Aircraft Corporation, aiming at the commuter air carrier market plans to construct a 400,000-sq. ft. facility at the Pease Tradeport. The construction could be completed by year's end. Other redevelopment activity at the former U.S. Airforce base are the nearly complete renovations of the former Brackett School into 50,000 square feet of

office space and recently-approved proposals to convert of the old officers' club into 13,000 square feet of office space, to create an expansion of close to 63,000 square feet in office space, and build a new 70,000 square foot office park.

Construction on a 720-megawatt power plant in Londonderry is scheduled to begin in May. It should provide several hundred construction jobs through its completion date in 2002.

Manufacturing

New Hampshire manufacturing employment slipped in 1999 to 106,600, losing 2,000 jobs. This was the first annual decline since a four-year stretch from 1988 to 1992 when employment bottomed out at 97,400. Manufacturing employment climbed back to 108,600 by 1998, falling well short of its 1984 peak of 123,400. Over-the-year losses, which began in September 1998, have continued from then up to the latest preliminary estimates. Manufacturing employment stood at 105,300 in March, down 1.8 percent from a year earlier. April 2000 saw 1,800 fewer jobs than in April 1999. In the two years from April 1998 manufacturing lost 4,200 jobs.

With much construction of manufacturing facilities underway, this decline may be a temporary one. Alliance Aircraft at the Pease Tradeport is alone projected to add up to 2,000 new jobs. Alliance plans to hire approximately 100 new employees per month beginning immediately. The headline of the May 11 *Union Leader* trumpeted, "Cisco to create 2,500 jobs in NH." Less than a half year after Compaq, which had bought Digital Equipment, closed the former Digital plant in Salem laying off 900, Cisco Systems announced its intent to purchase the 674,000 square foot building. The Internet giant's intent to expand in New Hampshire is further evidence that the state's manufacturing employment may begin to expand again.

Even when manufacturing employment

has grown in recent years, it has failed to keep up with the growth of total employment. Manufacturing's share of employment has continued to shrink. The trend away from a goods producing economy toward a service producing economy has continued relentlessly. Still, New Hampshire manufacturing employment has more than held its own compared to national trends. Nationwide manufacturing employment fell 1.8 percent in 1999 and it was 0.8 percent below its prior ten year average. In New Hampshire, manufacturing made up 17.6 percent of total nonfarm employment. Manufacturing's share of U.S. employment was 14.3 percent.

In 1999; 71.4 percent of the state's manufacturing employment was involved in the production of durable goods. Employment by manufacturers of durable goods saw virtually no change in 1999. Nondurable goods manufacturing employment lost 1,900 jobs, a 6 percent decline from 1998.

Velcro USA, Inc. is moving forward on plans to build a manufacturing plant that will employ some 200 employees on a site it purchased in Somersworth in 1998. Plans are for the plant to be completed by January 2001. Velcro also plans to expand its Manchester facilities by 27,000 square feet. A Keene machining company, Knappe and Koester Inc., is planning to expand its manufacturing operation by an additional 20,240 square feet.

It was reported in April that Cabletron sent its employees an e-mail alerting them to a layoff of up to 800 employees worldwide. Cabletron is simultaneously spinning off four subsidiary companies. These companies will be ramping up employment. Laid-off Cabletron employees stand a good chance at being hired by one of these subsidiaries.

American Tissue Corporation (ATC), the new owners of the Simpson Centennial paper mill and the Cascade paper mill, has reopened a facility and hired back more

than 100 workers in the Berlin/Gorham area. This helped put ATC in position for a financially strong first quarter of 2000. The company experienced gross profits of \$28.5 million, an increase of \$16.6 million over last year. Not all the numbers are good, however. ATC net sales are down \$2 million for tissue products and cash flow has decreased by \$11.3 million and capital expenses have increased by \$7 million. Most of this money is going toward the North Country mills.

Freudenburg-NOK has been steadily expanding its manufacturing operations. Over the past three years they have invested more than \$50 million in new manufacturing plants and equipment in the Lakes Region. The new plant in Northfield hit full capacity last July. Two other new plants in Franklin and Laconia are each at around 20 percent capacity and expected to be at full capacity by June.

Transportation, Communications, and Public Utilities

Transportation, Communications, and Public Utilities (TPU) industries are generally not labor intensive. The products and services they provide have a far reaching impact on the state's economy, however.

TPU saw employment growth of 3.9 percent in 1999. Transportation tallied all of the growth swelling by 7.3 percent while Communications and public utilities employment slipped slightly. By April 2000 Transportation growth had slowed to 3.1 percent while Communications and public utilities employment was unchanged over the year.

According to the March 9 Valley News, New Hampshire's airports will be getting a chunk of federal funds. Recently-passed federal legislation authorized a total of \$40 billion for aviation modernization to be distributed throughout the country over a three-year period. Of that, \$11.17 million is going to the Manchester Airport and \$3.0 million to the Lebanon Airport. Nine other New Hampshire airports will receive

\$200,000 to \$450,000 each.

Manchester airport has plans in the works for several improvements to both infrastructure and facilities over the next few years. Currently, there is reconstruction underway on two different runways. Both are to be extended by 1,500 to 2,000 feet. Taxiways are also being significantly overhauled and several improvements are planned for navigational aids as well. Work on these projects is expected to continue through 2005. A new entrance road and access road are in the works. Both projects are in the final planning and design phases. Construction will begin between the summer and the end of 2000. Completion of these projects sometime around 2004 is expected to improve traffic flow and access to the airport. Next year, the Federal Aviation Administration has plans to begin construction on a new tower. This spring, the airport will also be constructing an elevated pedestrian walkway. It will provide convenient passage for passengers between the parking garage and terminal.

The Manchester Airport continued its impressive growth. Kevin Dillon, Airport Director, said in the March 2000 issue of the *Manchester Airport News*, that passenger activity at the airport rose 75 percent in 1998 and another 45 percent in 1999. In the last two years, passenger activity at the airport has increased from 1.1 million to nearly 3 million passengers. That figure is expected to jump well above the 3.5 million mark by the end of this year. Their 1999 Year End Activity Report stated that cargo shipments were up as well. The airport processed 165 million pounds of air cargo in 1999 and expects to handle 180 million pounds of cargo by the end of this year.

Northwest Airlines added a daily non-stop jet between Manchester and Detroit early in May 2000. This will add numerous additional non-stop options to airport consumers. Since 1998, five new airlines

have come into Manchester Airport: Southwest, Northwest, Continental, Metrojet, and ASA Delta Connection.

On the Seacoast, Pan Am has begun new scheduled flights out of Pease Airport. On October 7, 1999, the Pam Am Clipper, Portsmouth, flew its maiden voyage from Portsmouth to Orlando/Sanford, Florida. Beginning Nov 17th, the airline began additional flights from Gary/Chicago Airport to Portsmouth. As reported on its web site, Pam Am President Dave Fink said that the airline hopes scheduled service with Orlando, Portsmouth, and Chicago will open second and third markets. The Portsmouth-based Pan Am plans to steadily expand its passenger service.

A proposal to provide passenger rail service from Portland, ME to Montreal is being actively promoted. This is sure to bring economic benefits to the Berlin/Gorham areas, because the tracks run through both communities.

In May 1996, the Governor signed RSA 374-F (HB 1392), the Electric Utility Restructuring Act. Full retail access was to have been implemented by July 1998, but conflicts over how to pay for stranded costs and other issues have delayed that. Thus far, two of the State's utilities have introduced electric retail competition. In July 1998, a settlement between the State and Granite State Electric Company was finalized which gave customers average rate reductions of 17-20 percent. It also enabled them to choose their own electric supplier.

The State also helped the New Hampshire Electric Cooperative (NHEC) reach a settlement with Public Service Company of New Hampshire (PSNH). NHEC opened its service territory to competition on January 1, 2000, and its customers have since seen average rate reductions of 15-20 percent. A Settlement between the State and PSNH, the state's largest electric utility, is currently under review by regu-

lators and the Legislature. If approved, it would provide average rate reductions of more than 18 percent as well as the right for consumers to choose their electricity supplier. Meanwhile, PSNH's parent, Northeast Utilities of Berlin, Connecticut, is in the process of being purchased by New York-based Consolidated Edison.

The effects of increased availability of natural gas as a result of the completion of pipeline construction projects in 1999 are beginning to be felt. The AES Corporation has contracted for the construction of a 720-megawatt gas-fired power plant in Londonderry. Work is to begin in May with a completion date in 2002. When fully operational the plant will employ approximately 35 professionals. The results of the March Londonderry town council elections may put a crimp in AES's plans, however. Several supporters of the plant proposal were turned out of office. In addition to the Londonderry plant the state Energy Facility Site Evaluation Committee in March approved the site for a gas-fired plant in Newington. The plant was originally proposed by Southern Company, but now would be owned by Consolidated Edison.

Trade

The U.S. Department of Commerce reported in April that advance monthly retail sales from January through March 2000, not adjusted for seasonal, holiday, and trading-day differences, were \$747.1 billion — up 12.1 percent from the same period in 1999.

February 2000 sales of merchant wholesalers, unadjusted for seasonal variations and trading-day differences, were \$229.9 billion, 16.5 percent above the February 1999 level. Among nondurable goods, sales of petroleum and petroleum products increased 65.5 percent over February 1999. This was due primarily to huge price increases driven by OPEC manipulation of oil supplies. Inventories were up 3.5 percent over the same time frame. Total

February 2000 inventories climbed \$20.7 billion (7.1 percent) from February 1999 inventories. The inventory to sales ratio for petroleum and petroleum products, unadjusted for seasonal variations and trading-day differences, fell from 0.44 in February 1999 to 0.27 in February 2000.

New Hampshire's not seasonally adjusted nonfarm employment estimates for Wholesale and Retail trade combined reached an annual average of 160,000 during 1999, a gain of more than 7,000 jobs (nearly 5 percent) over the 1998 annual average. This employment level far surpassed the pre-recession high of 142,400 achieved in December 1988. Trade employment accounted for more than one-fourth of the Granite State's jobs in 1999. In 1960 Trade represented 17.0 percent of the state's jobs; in 1970, 19.9 percent; in 1980, 22.2 percent; in 1990, 25.5 percent; and in 1999, 26.5 percent. The Trade share of U.S. nonfarm employment is 23.2 percent.

Within Trade, both Wholesale trade and Retail trade registered job growth in 1999. Wholesale trade employment climbed to an annual average of 31,700 in 1999, a 5.3 percent gain from 1998. In April 2000 the level had slipped slightly — by 0.3 percent over the year. Retail trade employment advanced by 5,900 jobs (4.8 percent) to 128,200. This continued a pattern of job gains each year since 1992. From April 1999 to April 2000, employment grew 2.3 percent.

The vigor of New Hampshire's retail business is reflected in employment gains, as well as in the growth and innovation in the retail infrastructure. Recent activity has witnessed both expansions and start-ups of new business enterprises. A new venture inaugurated by a nonprofit corporation, New Hampshire Stories, helps New Hampshire micro-entrepreneurs (small producers of goods) market their products. A pilot program between the New Hampshire Stories nonprofit corporation and the state Liquor Commission placed a

variety of goods for sale in a section of the State Liquor Store located on the northbound side of Interstate 95 in Hampton. If the pilot store does well, the program will be expanded to include the outlet on the southbound side and, then, to other stores. New Hampshire Stories was formed in 1997 as an outgrowth of the "We have a story to tell" promotional program for producers and marketers of Granite State goods and services.

Business expansion nowadays may mean launching a Web site, rather than a new storefront, as a way of securing an expanded customer base. A venture into electronic-commerce (e-commerce) sales was a strategy used, for example, by Kitchen, Etc., of Exeter and Navtronics of Portsmouth, and many other New Hampshire businesses.

The first official U.S. government estimate of retail e-commerce sales was released for the fourth quarter 1999. E-commerce sales are sales of goods and services over the Internet, an extranet, Electronic Data Interchange, or another online system. Payment may or may not be made online. Retail e-commerce sales accounted for \$5.3 billion or 0.64 percent of the total retail sales estimate for the quarter, which was \$821.2 billion. The Census Bureau plans to release e-commerce retail sales estimates quarterly. They represent a subset of the Monthly Retail Trade Survey data collected by the U.S. Census Bureau.

A new Wal-Mart is planned for Keene. Two other Wal-Marts are intended to occupy former HQ (Home Quarters Warehouse Inc.) locations in Manchester and Newington. HQ's parent, Hechinger Company, succumbed to bankruptcy and closed 117 Hechinger, HQ, and Builder's Square stores in 21 states in December 1999.

Borders also continued its move into New Hampshire and opened stores in Concord and West Lebanon. The Ninety-

nine Restaurant and Pub chain recently opened in Concord and unveiled plans to build its seventh Granite State restaurant in Portsmouth in April. The Concord Ninety-nine adds to the recent boom of retail expansion on land adjacent to the Steeplegate Mall. The area saw the opening of Best Buy and Target late in 1999 and looks forward to the opening of a Linens and Things in 2000. In March Staples opened a new store in Littleton.

Finance, Insurance, and Real Estate

Finance, insurance, and real estate (FIRE) nonfarm employment estimates showed a gain of 1,200 jobs (3.8 percent) in 1999. This followed increases of 5.4 percent in 1998 and 5.3 percent in 1997. In contrast the other industry divisions, whose employment began to recover from the recession of the early 90s in 1992 and 1993, jobs in the FIRE division continued to decline until 1996 when annual average employment bottomed out at 28,300. The annual average employment of 32,600 achieved in 1999 surpassed the prior high annual average employment of 32,400 in 1989. From April 1999 to April 2000 employment was up just 1.5 percent.

Examination of covered employment data for 1999, including preliminary fourth quarter numbers, shows clearly where the growth in FIRE is taking place. Employment in Depository institutions (banks and credit unions), once the largest FIRE group, which had shrunk by 2.7 percent in 1998, was unchanged in 1999. Real Estate and Holding companies combined for a loss of 330 jobs. Insurance carriers and Insurance agents, combined, gained more than 200 jobs. Securities and commodities brokers, however, grew by over 900 jobs in both 1998 and 1999 — 48.5 percent and 31.6 percent, respectively.

During 1999 the Granite state's FDIC-insured banks again experienced solid financial growth. As of December 31, 1999, commercial bank total assets expanded an

additional 37.2 percent to \$22.1 billion during calendar year 1999 after a jump of 37.5 percent during 1998. During the same time FDIC-insured commercial banks' total deposits increased 38.8 percent, following a gain in the prior year of 30.5 percent. Return on assets ratio rose to 3.92 for a 31.1 percent boost subsequent to a 16.3 percent gain in 1998. FDIC data ranked New Hampshire banks number 1 in the United States for having the highest return on assets ratio as of December 31, 1999.

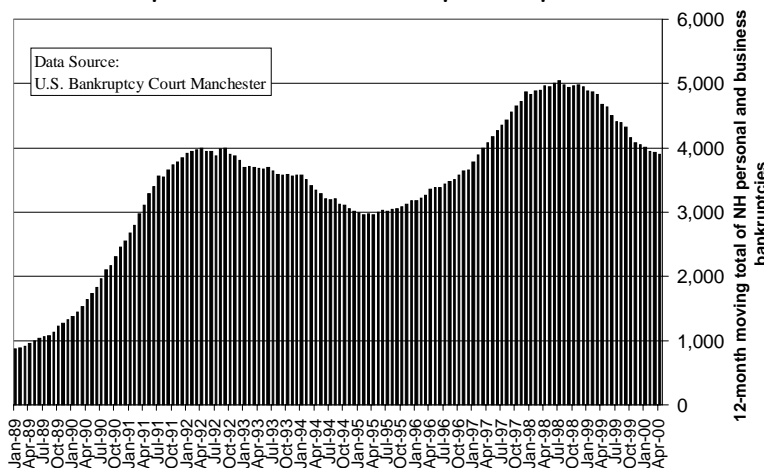
Somewhat disconcertingly, during the same time period, the noncurrent rate for total loans at FDIC-insured commercial banks in New Hampshire increased 82 basis points to 2.51 percent, to maintain the highest rate in the U.S. The noncurrent loan rate on December 31, 1999, for total loans at commercial banks in the United States was 0.95 percent. Noncurrent loan rates represent the percentage of loans that are past due 90 days or more or in nonaccrual status. While the loans to individuals portion of total noncurrent loans jumped to 3.19 percent from a rate of 2.10 percent on December 31, 1998, the real estate loans portion declined 29 basis points to 0.88 percent. Both the return on assets ratio and the noncurrent loan rate for FDIC-insured commercial banks are skewed by the presence of a significant

credit card industry in the state.

The Mortgage Bankers Association of America reported on March 29, 2000, that the national mortgage delinquency rate of 3.93 percent for the fourth quarter of 1999 was the lowest level since the first quarter of 1995. On a fourth quarter-over-quarter comparison from 1998 to 1999, the delinquency rate for the Northeast was down 21 basis points to 3.67 percent. Year over year, the Northeast's delinquency rate fell 37 basis points, while the foreclosure rate was down 16 basis points to 1.29 percent. The delinquency rate includes loans 30 days or more past due.

The Office of Federal Housing Enterprise Oversight (OFHEO) on March 6, 2000, released its House Price Index for fourth quarter 1999. U.S. house prices continued their upward trend increasing by 6.4 percent from the fourth quarter of 1998 to the fourth quarter of 1999. This raise followed the 5.4 percent growth in 1998. The New England region experienced a 9.7 percent price appreciation. New Hampshire's home price appreciation rate of 10.4 percent may be good news to sellers, but bad news for buyers with the tight housing market that exists. The 1999 gain followed a housing price increase of 7.2 percent in 1998.

The New Hampshire roll-over year total of monthly bankruptcies has fallen below its previous peak of 1992 .



Services

Services is the industry division which accounts for the largest portion of New Hampshire's jobs. In 1970 Services employment was 16.5 percent of total nonfarm employment. In 1999 its share reached 29.4 percent of the state's jobs or an annual average 177,700. By 1988 it had surpassed manufacturing which at one time had held more than half of the state's jobs.

Health services, the largest single industry within the Services division, added a significant 1,500 jobs during 1999, compared to 1998, bringing total employment to 50,600. April 1999 to April 2000 saw a slightly smaller gain of 1,300 jobs. In 1994 Business services constituted approximately 15 percent of the Services division jobs. In 1999 Business services jobs accounted for nearly 18 percent. Together these two industries, Business services and Health services, represent nearly 50 percent of Services division jobs. These two together with Educational services; Social services; Engineering and management services; Legal services; and Museums, art galleries, and botanical and zoological gardens jobs add to more than three-quarters of Services division employment. Thus the major portion of this division's jobs could be described as white- or pink-collar requiring commensurate levels of education or preparation and earning corresponding wages.

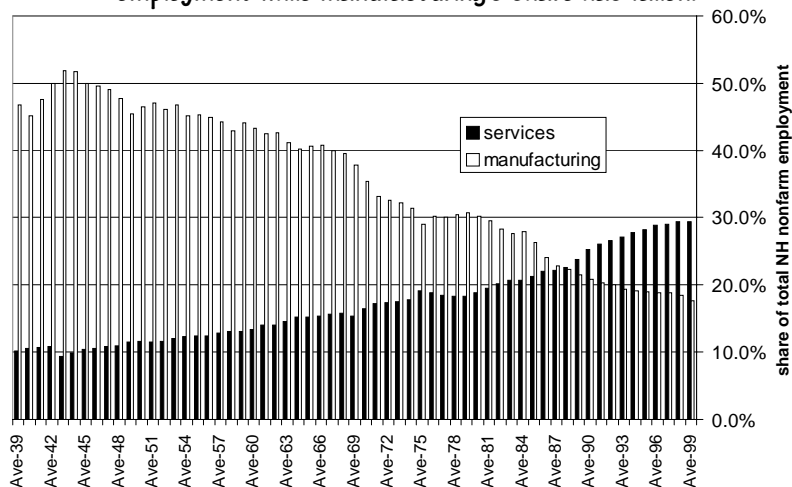
Growth in the Services division has been fairly broad-based. Covered Employment data provides the detail required to focus on what industries drove that increase. Standard Industrial Classification (SIC) 737, Computer and Data Processing Services in New Hampshire increased from 743 employing units and 5,024 employees at the end of the fourth quarter 1994, to 1,569 units and 10,870 employees at the end of the fourth quarter 1999. Both the number of businesses and the number of jobs more than doubled. In contrast the number of businesses and employees overall in the Services division increased 25.9 percent and 21.1 percent, respectively.

Government

While total New Hampshire nonfarm employment grew by 2.6 percent from 1998 to 1999, its federal, state, and local government employment, combined, added 2.0 percent. Average total government employment in April 2000 was 86,600 vs. 83,800 in April 1999.

Since January of 1994, federal government employment each month has not varied from the 8,000 level by more than 300 except during Decembers when temporary postal workers are added for the holiday rush. For a few months in 2000 it will be a different story. This is a Decennial Census year. After falling back in January to 8,000

Services has continued its long rise in share of New Hampshire employment while manufacturing's share has fallen.



from 8,400 in December, federal employment bounced back up to 8,400 in February and then spiked to 9,200 in March. The hiring of census takers will likely expand federal employment by more than 2,000 at some point during this year. By year's end, however, federal employment is likely to settle back to the 7,900 to 8,000 level that it has maintained for years.

State employment grew by just 1.4 percent from 1998 to 1999. State employment growth can be expected to be minimal during 2000 because any additional state revenue resources are committed to funding local schools. Overall state revenue is anticipated to be \$1.34 billion by June 30 — 29 percent more than last year. This increase is attributed to and earmarked for the new Education Trust Fund. Monies for this fund are being collected mostly through increases in existing taxes, the tobacco settlement, and a new statewide property tax.

Last year in April, Governor Shaheen signed into law the state's response to the State Supreme Court ruling on the "Claremont" school funding suit. This \$827 million plan drastically changes the way New Hampshire pays for schools. It reduces school-related property tax rates in over 80 percent of communities, but creates a group of "donor communities" who will have to pay increased property taxes toward education. Many of these communities have banded together to mount a challenge to the legislation. With the plan, New Hampshire has gone from paying about 8 percent of the cost of public education to paying more than 60 percent.

For fiscal year 2000, net appropriations for education account for 39 percent of total state resources. This figure surpassed the health and social services figure (32 percent) for the first time. During the previous fiscal year, education was at 17 percent while health and social services was at 43 percent of allocated net appropriations.

Local government employment increased by 3.1 percent in 1999 and preliminary April nonfarm estimates show an over-the-year gain of 3.4 percent to 55,000 jobs. Since the largest share of local government workers are employed in education, increases in school-age population usually drive job growth. It remains to be seen how the new Education Trust Fund will affect local government employment. The focus of the Claremont court ruling was twofold. It declared that the New Hampshire Constitution required funding for education, and it found that the state's system for funding education with local property taxes amounted to a state mandated property tax. The court ruled that the Constitution required such a state tax to be applied uniformly throughout the state. Therefore, some individual communities may opt to use the additional revenues to hire new teachers, but others may use them for property tax reduction. Some communities may choose to do both. The donor towns will have to choose between reducing payrolls or raising property taxes.

Conclusion

The regional and national economies continue to roll right along. The longest peacetime expansion in U.S. history courses on unabated. New England continues on the cutting edge of this expansion. New Hampshire points the way with the region's lowest annual unemployment rate each year since 1994 and the region's largest increase in nonfarm employment since 1993. New Hampshire's 24.1 percent growth is more than 6 points better than that of second place Massachusetts. New Hampshire has a diversity of industries. It offers an attractive quality of life. Its tax burden is low. Its labor force is well educated. More is being invested into our highways. We continue to expand our foreign trade to Canada and Europe. An active seaport, and rapidly expanding airports offer easy access to markets next door and all over the world.

Concerns still remain. The state's prosperity continues to spread out and away from the southeastern corner, but it has yet to reach the farthest edges. Ownership of the former Brown Company paper mills in Berlin and Gorham has changed again. Will this change take hold or will North Country business leaders be looking for a new industry to replace paper sometime soon? Will there be enough new housing built to allow economic growth to advance? Most other states are rolling in expansion-generated revenues, but New Hampshire has a looming budget crisis. Any expansion-generated revenue growth in New Hampshire will be absorbed by the massive increase in the state's educational funding obligation.

The future looks bright as the New Hampshire spring again magically changes blustery snow to summer heat and humidity all in the course of a week's time.

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