



Employment SECURITY

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Summary of the New Hampshire Economy Spring 1999

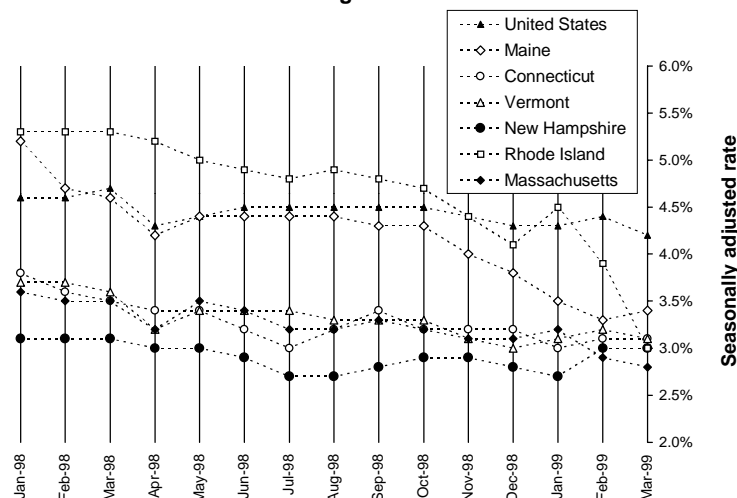
New Hampshire looks like it is on its way to its eighth straight year of economic growth in 1999. The region's economy is finely tuned and firing on all six cylinders. The March seasonally adjusted unemployment estimates set the New England unemployment rate at 3.0 percent. This was the second lowest rate of the nation's nine census regions. Only the West North Central region (Iowa, Kansas, and Minnesota) came in lower at 2.7 percent. New Hampshire at 3.0 percent unemployed continued among the region's leaders second only to Massachusetts at 2.8 percent. Just four-tenths of a percent separated five of the six states. Rhode Island was tied with New Hampshire. Vermont and Connecticut were tied at 3.1 percent. Maine was not far behind at 3.4 percent. The U.S. rate was 4.2 percent.

The regional vitality bodes well for the New Hampshire economy's near-term future. There is a strong competition among the Granite State and its three bordering states. It is for the most part a friendly rivalry which recognizes that tourists can't easily drive

from Massachusetts to Maine without stopping to pay a toll and buy liquor in New Hampshire; that were it not for New Hampshire's broad base, top-heavy Vermont would succumb to gravity and topple over; and that much of the region's prosperity radiates out from the Boston area. When the Boston area is prosperous, riches spill across the Bay State's borders in the form of tourist and shopper dollars, contracts for vendors, wages paid to New Hampshire residents who commute to Massachusetts, and jobs exported to New Hampshire by expanding Massachusetts firms. New Hampshire continues to be an attractive place for firms to locate.

The New Hampshire unemployment rate has continued to decline. Through the first three months of 1999, the not seasonally adjusted unemployment rate averaged 3.3 percent compared with 3.5 percent during the first quarter of 1998. The January, February, and preliminary March rates were the lowest since January, February, and March of 1989. The average annual unemployment rate for 1998 was 2.9 percent, down 0.2 percentage points from 1997.

The Unemployment Rates of New England's Six States are
Coalescing around 3%



The New Hampshire civilian labor force has continued to grow. During the first quarter of 1999, New Hampshire's labor force, not seasonally adjusted, averaged 665,880, rising 3.6 percent compared to the same period in 1998. At the same time the number of unemployed New Hampshire residents fell by 3.1 percent to 21,800. In the first quarter of 1999 initial claims dropped by 3.0 percent compared to first quarter 1998; continued weeks claimed shrunk by 0.3 percent.

The average labor force in 1998 edged up by 1.0 percent with 7,870 more employed and 1,200 fewer unemployed. The total number of initial claims filed for unemployment insurance benefits decreased by 5.5 percent in 1998. Continued weeks claimed fell by 21.0 percent.

Nonfarm employment continued to expand. Estimates of total employment, not seasonally adjusted, averaged 587,600 in the first quarter of 1999, an increase of 13,300 jobs or 2.3 percent over first quarter 1998. Annual average nonfarm employment increased by 3.0 percent in 1998.

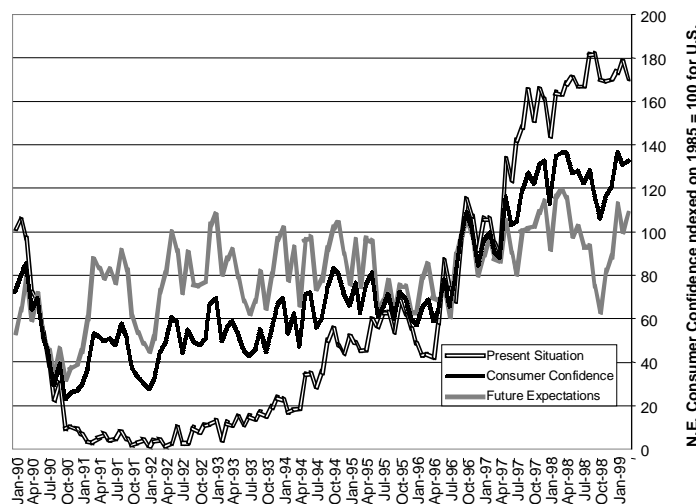
In the just-released Bureau of Economic Analysis per capita personal income estimates for 1998, New Hampshire moved up from eighth place to seventh place in the state rankings. Connecticut retained first place while Massachusetts moved up from third to second.

The Conference Board's New England consumer confidence bounced back smartly from a sharp downturn in the fall of 1998. It had dropped to 106.1 in October, driven by pessimism brought on by stock market jitters and weakness in international economies. The index for March 1999 was at 133.1, down slightly from the 136.4 registered a year earlier. The index is made up of two parts, a present situation index and a future expectations index. The present situation index at 170.4 was up significantly from the 163.3 of March 1998. The future expectations index was down by 10.3 points over the year. The New England index is not seasonally adjusted. The March U.S. consumer confidence index, which is seasonally adjusted, edged up from February to March by eight tenths to 133.9. It was down just one tenth from March 1997.

The Federal Reserve Board's January "Beige Book" reported that the residential real estate market in New England is doing well. Greater Boston and the adjacent areas of Northern Rhode Island and Southern New Hampshire are especially strong.

The New Hampshire housing market shows continued vitality. Sales of existing homes in 1998 were up substantially from 1997. The average selling price of a house in New Hampshire was up by 6.2 percent in the fourth quarter of 1998 based on the Office of Federal Housing Oversight's repeat sales index. This was the fourth fastest increase in the nation. The number of single family housing permits for 1998 rose by 10.5 percent compared to 1997. Total housing units permitted grew by 12.1 percent.

As the End of the Decade Approaches, the New England Present Situation Index is Reaching Heights yet not seen in this Decade



February and March 1999 were the first months since 1995 to see over-the-year decreases in the state's 12-month cumulative number of bankruptcies. According to data kept by the U.S. Bankruptcy Court in Manchester, there were 4,826 total bankruptcy filings during the twelve-month period ending in March 1999, a 1.41 percent decrease over the same period a year earlier. First quarter to first quarter, bankruptcies were down 9.79 percent.

Construction

Construction employment in 1998 reached its highest point since 1989. It rose 9.6 percent over the 1997 average. The difference between peak and trough employment, usually August to February, was just 13.7 percent in both 1997-98 and 1998-99. During the current series of nonfarm employment estimates dating back to 1972 this annual peak to trough construction employment drop has averaged 24.6 percent. Construction is hard to carry out during New Hampshire winters, but construction is also very sensitive to the ups and downs of the economy. When the economy is on the upswing, many contractors find ways to brave the cold, snow, and ice.

The New Hampshire Association of Realtors' 1998 statistics showed strong sales of existing homes. Closed sales for 1998 totaled 18,538, statewide — 13.5 percent more than in 1997. The 1998 average sales price per unit of \$134,146 was 6.5 percent more than in 1997, while the total sales volume grew 20.9 percent over the 1997 volume.

Each year since 1991 the number of housing permits in New Hampshire has grown. Total housing permits for 1998 grew by 12.1 percent compared to 1997. Single family housing permits rose by 10.5 percent. RFA (formerly known as Regional Financial Associates) projects a 7.8 percent increase in single family housing permits in New Hampshire in 1999. They project the number of multiple units of housing permitted will increase by 23.1 percent. According to a recent Associated Press article, Paul Harrington, of Northeastern University's Center for Labor Market Studies observed that one of the things slowing employment growth in New England is the region's high cost of housing. A growing shortage of affordable housing is developing for a sizable segment of the New Hamp-

shire 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 \$819, in Portsmouth \$825, and in Derry, \$806.

Bad news for the cause of affordable housing but good news for New Hampshire homeowners who bought houses when the state's home prices topped out in December 1989 came from the Office of Federal Housing Enterprise Oversight (OFHEO). The average selling price of a house in New Hampshire was up by 6.2 percent in the fourth quarter of 1998, second in New England to Massachusetts' 6.9 percent. The New Hampshire index reached 231.07 in December 1998 still shy of its 240.40 peak. The two states ranked second and fourth in the nation in percent increase according to the housing price index published by the OFHEO. Based on U.S. Census Bureau and National Association of Realtors data, Dismal Sciences, Inc. reports that during the fourth quarter of 1998 the seasonally adjusted average selling price of existing homes New Hampshire, at \$155,300, ranked fifth highest among the fifty states with Massachusetts second. An average seasonally adjusted new home selling price of \$216,100 placed New Hampshire fourth highest. Massachusetts was number one.

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 jumps of 19.8 percent for total construction contracts and of 21.2 percent for residential construction contracts in 1998. Though the average of the total contracts index for the first two months of 1999 was down significantly over the year, it was the second highest of the 1990s. The average for January and February of 1998 had been the highest since 1988.

Business NH Magazine published its "1998 Big Deals" list of construction contracts in its March 1999 issue. There were 44 contracts worth \$5 million or more in 1998, up from 28 in 1997. To be included on the list a project must have named a construction manager or general contractor during the year. Some of the projects with the largest price tags were the State Prison in Berlin (\$30 million), Littleton Regional

Hospital in Littleton (\$25.7 million), reconstruction of Exit 13, I-93, in Concord (\$16.6 million), Jefferson on the Merrimack luxury apartments in Bedford (\$15 million), the Dover Middle School (\$13.6 million), a parking garage at the airport in Manchester (\$10.8 million), Derry Meadows Shoppes in Derry (\$10.5 million), a Target Store in Nashua (\$10.5 million), and a manufacturing plant in Exeter (\$5-10 million).

Manufacturing

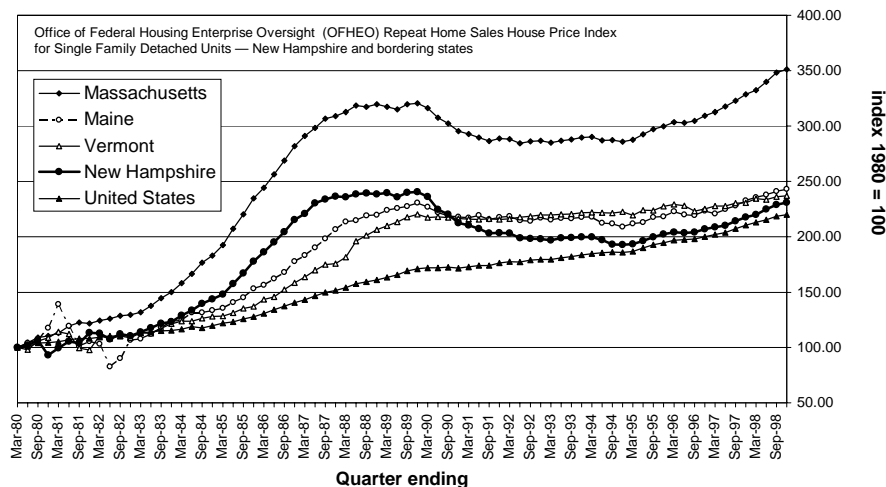
Manufacturing employment seems to have slowed. Last year got off to an impressive start. Average first quarter manufacturing employment increased over the year by 4.1 percent, based on not seasonally adjusted nonfarm estimates recently benchmarked to include the latest available quarters of 1998 data. This compared to a 3.0 percent first quarter increase for employment in all industries. As the year wore on, nonfarm estimates suggest that over-the-year gains in manufacturing employment slipped into losses. August brought to an end a string of fifty-seven straight months of over-the-year manufacturing job gains dating from November 1993. The 1998 annual average showed just a 1.0 percent gain (1,100 jobs) over 1997. Covered employment data also showed losses starting in August 1998 but on a smaller scale. The average for the third quarter (the latest quarter available) measured virtually no change over the year losing just 20 jobs while the nonfarm estimates showed a loss of 300. Not yet benchmarked, sample-based, nonfarm manufacturing employment estimates for the first quarter of 1999 show a 2.7 percent loss over the first quarter of 1998.

In 1998; 69.4 percent of the state's manufacturing employment was involved in the production of durable goods. Manufacturers of durable goods provided nearly all of the growth in manufacturing jobs in 1998. Employment expanded by 2.3 percent in 1998, down from a 3.2 percent growth rate in 1997. Nondurable goods manufacturing employment lost 600 jobs, a 1.8 percent decline from 1997. Both durables and nondurables started the year with substantial gains in the first quarter but lapsed into losses as the year progressed. Nondurable goods manufacturing saw a 0.8 percent loss in the second quarter which broadened to 4.1 percent by the fourth quarter. Durable goods manufacturing sustained gains in both second and third quarter, but the fourth quarter saw a 1.1 percent loss.

Through the first quarter durable, and nondurable goods manufacturing employment, according to sample-based estimates, were each down 1,500 from the first quarter of 1998. Among the durables industry groups, Electronic and electrical equipment except computers accounted for the largest portion of the lost employment. Industrial machinery and equipment and Instruments and related products also contributed significantly. Among nondurables, Textile mill products sustained the largest loss.

Cabletron Systems announced in March plans to sell most of its manufacturing operations to Celestica Inc., a contract-manufacturing specialist based in Canada, which has a plant in Exeter and a facility under construction at the Pease International Tradeport in

New Hampshire Experienced a Large Fourth Quarter to Fourth Quarter Gain in 1998, but its Home Prices have not yet Returned to the High Levels of the Late Eighties



Portsmouth. By outsourcing its manufacturing operations to Celestica, Cabletron CEO Craig Benson said his company's workforce will be cut from 5,951 to fewer than 5,000 employees worldwide. About 500 of Cabletron's approximately 3,000 New Hampshire workers will move over to Celestica this spring.

Late in 1998 TYCO Submarine Systems signed a long-term lease to occupy the former Celestica building in Exeter. Company officials say will bring 250 jobs to the Seacoast. The company is an independent supplier of undersea communications systems and services.

Early in 1999 Hadco Corp. completed an addition to their Hudson plant. Construction on an addition to the Derry plant will begin in May and is scheduled to be completed by July. These expansions are expected add 100 jobs (20 in Derry and 80 in Hudson). The company had laid off 250 employees in July 1998 to cut costs during a period of slow sales at its Salem and Derry plants. Company officials said that the expansion is necessary to accommodate a growing need for the circuit board equipment spurred by increased Internet use. The company expects the Internet will feed sales in the coming year.

Homestead Industries, a manufacturer of woolen outerwear for women and a fixture in Claremont since the early 1920s, closed its doors. The company had 100 employees in the summer of 1998. They were laid off gradually until January 28, 1999, when the last 57 workers were sent home. The company fell victim to an overall decline in the popularity of woolen clothing.

By the end of 1998, Crown Vantage's Berlin and Gorham paper and pulp mills had met corporate requirements for a reduction of 100 workers. This was accomplished through early retirements and transfers but without layoffs. In March Crown Vantage Inc. sold its paper and pulp mills in Berlin and Gorham for \$45 million to American Tissue Corp., a subsidiary of American Tissue Holdings, Inc., which has plants in New York, Wisconsin, Oregon, California, Tennessee, and Mexico. The Berlin-Gorham mills have changed ownership three times since 1968 and endured several rounds of layoffs. Crown Vantage bought the mills in 1995, but it inherited \$600 million in debt. This debt and competition from American mills with more modern machinery made the future of the Berlin Gorham

operation uncertain. Recently, the mills have suffered further from competition by pulp and paper mills in South America, China, Indonesia, and Malaysia, where labor costs are lower and faster growing trees are used.

In March the Split Ball Bearing Division in Lebanon, a subsidiary of the MPB Corporation, tightened their labor force by 22 workers. The company was responding to a general slowing in the aerospace business. The Lebanon plant manufactures high-precision bearings for the aerospace industry. The job cuts will reduce the number of employees at the Lebanon plant to around 700.

Also in March it was announced that Vishay Sprague will close its Concord plant and move the 200 jobs remaining there to Maine. Workers at the Concord plant produce tantalum capacitors. Sprague began its Concord operations in 1954.

In February Aavid Thermal Technologies was preparing to close a Manchester manufacturing plant it opened little more than a year ago. This will leave about 75 people looking for new jobs while 24 Manchester workers will be able to stay with the company. Aavid's largest customer, Intel, stopped manufacturing the chip for which Aavid supplied the cooling system. With computer prices falling below \$1,000, chip manufacturers such as Intel are no longer packaging cooling systems with their chips. Computer makers now prefer to find their own solutions to the cooling problem. While Intel business will fall off, Aavid's customer base has now expanded to include a long list of the world's major computer manufacturers.

Freudenberg, NOK, filed site plan applications in April to build new plants in Franklin and Laconia. They also have a new plant under construction in Northfield.

On the Seacoast, the Navy has proposed leasing space at the Portsmouth Naval Shipyard to private industry. Though the "yard" is located in Maine (New Hampshire is claiming in federal court that the island on which the shipyard is located is part of New Hampshire) much of its workforce comes from nearby New Hampshire cities and towns. According to a study prepared by the Navy, leasing could create more than 2,500 new jobs and pump an additional \$67 million in

payroll into the local economy. The study concluded that leasing to private firms would have no significant adverse impact on the environment. Such leases would help the Navy to lower its costs. American Fast Ferries wants to lease shipyard facilities and hire as many as 1,200 workers to build catamaran ferries there.

Transportation, Communications, and Public Utilities

The impact of Transportation, Communications, and Public Utilities (TPU) industries goes well beyond the employment they provide directly. They are generally not labor intensive, but the products and services they provide have a far reaching impact on the state's economy.

TPU saw employment growth of 5.2 percent in 1998. Transportation tallied all of the growth while Communications and public utilities employment slipped slightly. Continued growth of Transportation added 13.0 percent to its employment in the first quarter of 1999 and extended the TPU over-the-year spread to 7.7 percent. Communications and public utilities employment remained stagnant. Covered employment data showed TPU employment was up 1,600 jobs over-the-year in September 1998. Much of this increase was in Air transportation and likely attributable to the expansion of Manchester Airport.

The Manchester Airport recorded a 75 percent jump in travelers during 1998, making it the nation's fastest growing airport. Three airlines were added in 1998. In March 1999; 225,091 passengers used the airport, a 125 percent jump over March 1998. A new commuter terminal opened April 20. This terminal expansion and a six-level parking garage, one of New England's largest, will together cost about \$50 million. Reports in April 1999 indicated that Manchester officials were actively courting three new airlines to add to the eleven passenger carriers already serving the Queen City facility.

At Pease Tradeport, Pan American Airlines began to renovate a hanger for use as a maintenance facility. They plan to make Pease their headquarters, employing 300 to 500 skilled employees. They expect to provide direct charter and other passenger service

from the Portsmouth facility. Their parent company, Guilford Transportation, relocated its headquarters from Nashua to Pease. Although there is no regularly scheduled passenger service out of Pease as yet, a new terminal was completed with baggage carousel and passenger screening facilities including agriculture, customs, and immigration. The new customs and immigration facility got its first test in February when a British Royal Air Force L-1011 landed with 70 people on board. Also completed during 1998 were a new air cargo facility and upgrades to the runway approach lights.

The \$500 million natural gas pipeline connecting Quebec and New Hampshire was completed in February 1999 and Portland Natural Gas Transmission Systems had gas flowing to consumers early in March. Completion of the pipeline opened a 292-mile energy corridor which connects with the TransQuebec pipeline in Quebec. It then runs through Portland and New Hampshire, to the Massachusetts border. The project connects Maine with the rest of the natural gas pipeline grid. The pipeline will make natural gas more readily available for electricity generation. Southern Company, Duke Energy, and Tractable have each submitted plans for natural-gas-fired electric plants in Newington.

Trade

U.S. Commerce Department March estimates (adjusted for seasonal, holiday, and trading-day differences) showed nationwide retail sales were \$239.6 billion, up 0.2 percent from February and 8.7 percent from March 1998. Total sales for the first quarter of 1999 were up 8.3 percent from the same quarter a year ago. Durable goods were up 11.0 percent from March 1998. Doing particularly well were building materials, up 14.1 percent, and automotive sales, up 11.3 percent during the same period.

Unadjusted estimates of monthly sales by merchant wholesalers for February were \$217.6 billion, up 3.2 percent overall from February 1998, with durable goods gaining 4.3 percent and nondurable goods up 2.0 percent. Unadjusted inventories (at cost) during the same time were \$287.7 billion, up 4.4 percent. Durable goods inventories gained 4.3 percent and nondurable goods inventories increased 4.7 percent.

The Federal Reserve's March 1999 "Beige Book" reported New England retailers' sales grew during the first two months of 1999 and cited news reports in early March of unexpectedly strong sales growth for regional retailers. Employment was holding steady on a same-store basis, increasing only with store expansions. Wage growth remained in the 4 to 6 percent range which had held throughout 1998. A dramatic increase in lumber prices was the result of very strong U.S. residential construction activity.

New Hampshire not seasonally adjusted nonfarm employment estimates for Wholesale and Retail Trade combined reached a level of 150,100 in March 1999, an over-the-year increase of 3,600 jobs. Total trade averaged 150,900 in the first quarter of 1999, representing an over-the-year increase of 4,700 jobs for the quarter.

Wholesale trade added 1,100 of those jobs, raising its average for the quarter to 30,700. The March to March increase was 3.3 percent. This represented a slight slowing from the 3.8 percent gain from 1997 to 1998.

Retail trade employment is highly seasonal in nature with many of its component major industry groups peaking for the Christmas shopping season. December 1998 saw not seasonally adjusted retail employment peak at 127,600 jobs, just 1.7 percent higher than the December 1997 peak. Average first quarter employment was up 3.0 percent from a year earlier. Retail trade employment reached 119,200 in March, an over-the-year increase of 2,600.

Eating and drinking places is the largest component of Retail trade. It added 700 jobs to retail trade employment in 1998. Preliminary March 1999 estimates, however, showed no over-the-year employment gain.

Automotive dealers and service stations added 600 nonfarm jobs over the year, a 4.5 percent increase, according to the March estimates. Food Stores gained 1,100 reaching 21,400 jobs.

General merchandise store employment at its December peak showed slightly fewer employees for the second straight year. The 1998 year-end average showed no change from 1997, and March 1999 estimates show the barest of increases from March

1998. The differences between the December peaks and the annual averages has been unusually low during the last two years, particularly in the face of rising holiday sales. Generally low unemployment and high labor force participation levels may be thwarting the holiday season employee-recruiting efforts of General merchandise stores forcing them to rely on increasing the hours of year-round personnel during the holidays.

Based on 1998 monthly covered employment data through September, averaged, the retail trade major industry group with the largest increase over the same period in 1997 was Miscellaneous retail. Its 5.6 percent increase represented a gain of nearly 1,000 jobs. The largest groups by employment in New Hampshire that make up this major industry group are Miscellaneous shopping goods stores (such as sporting goods stores and gift stores), Nonstore retailers (mail order, vending machines, door-to-door and lunch wagons), and Drug stores.

Simon Property Group Inc., the largest shopping mall owner in the United States, purchased, in February, the state's oldest major mall, the recently renovated and expanded Mall of New Hampshire, and its newest major mall, the Mall at Rockingham, for \$1.7 billion.

The closing of Steinbach stores, nationwide, left Concord's Steeplegate Mall with two of its four anchor stores vacant. The long empty Kings department store was torn down to make way for a new Office Max store. Other new retail businesses recently opened or soon to open in Concord are Borders Bookstore, Marshalls, Home Depot, and Target. Two more New Hampshire Target stores are under construction in one in Nashua and one in Salem.

Sometime later this year the Valley Square Shopping Center in West Lebanon will become home to three new retail stores: Pier 1, T. J. Maxx, and Chili's. Price Chopper also plans to start construction in April on a supermarket in West Lebanon to be opened early in 2000. The store will be the chain's first in New Hampshire and the largest supermarket in the Upper Valley. It is expected that about 250 new jobs will be created.

Wal-Mart continues to locate new stores in New Hampshire. Wal-Mart has expanded several of its established locations into superstores which carry a full line of groceries in addition to department store goods.

Finance, Insurance, and Real Estate

In 1998 Finance, Insurance, and Real Estate (FIRE) employment grew by 4.7 percent, a 1,400 job increase, based on nonfarm estimates. This was the second straight year that this division made a net contribution of new jobs to the state's economy. Prior to 1997, FIRE had gained employment only in one other year in the 1990s. By March 1999, the over-the-year gain had shrunk to 600. The insurance industry accounted for 300 of the 1998 gain. March to March, employment slipped slightly.

Monthly covered employment data for 1998, averaged through third quarter, showed FIRE gaining nearly 1,700 jobs over the same period in 1997. The largest FIRE employment gains were in Security and commodity brokers - up by over 900 jobs. Depository institutions (banks and credit unions), lost nearly 100 jobs. From September to September Security and commodity brokers gained more than 1,100 covered jobs. Depository institutions lost more than 400 jobs.

Covered employment data allows for analysis of additional industry groups. In FIRE covered data is not directly comparable to nonfarm estimates which factor in such noncovered employment as commission-compensated insurance and real estate agents. Non-covered employment numbers based on estimates by the U.S. Census Bureau derived from their County Business Patterns survey. They have fluctuated widely in recent years.

Despite the downward trend in employment and a drop in the number of institutions from 42 in 1997 to 39 in 1998, the FDIC-insured banks experienced robust growth over the year in total assets — 19.0 percent; total deposits — 8.8 percent; and net income — 40.7 percent. In 1998 New Hampshire tied for second place nationally with a return on assets ratio of 2.99, better by 42 basis points than its first place ratio of 2.57 in 1997. New Hampshire also claimed the dubious distinction of having the fifth highest noncurrent loan rate in the country — 1.69 percent for total loans. The rate for noncurrent loans to individuals was 2.10 percent. Noncurrent loan rates represent the percentage of loans that are past due 90 days or more or in nonaccrual status. A single large credit card operation held approximately one-fourth of the total assets of the state's FDIC-insured institutions. It earned over half of

the net income and had a noncurrent loans to total loans ratio of 2.43 percent as of December 31, 1998. This one institution skews bank performance data for the entire state.

The Mortgage Bankers Association of America reported on March 16, 1999, that the national mortgage delinquency rate for the fourth quarter of 1998 was at its lowest level in two years. The delinquency rate includes loans 30 days or more past due. On a quarter-over-quarter basis from 1997 to 1998, the delinquency rate for the Northeast was down 16 basis points to 4.02 percent. The state's noncurrent real estate loan rate for FDIC-insured banks dropped from 1.38 percent on December 31, 1997, to 1.17 percent on December 31, 1998.

Mergers and acquisitions continued to transform the banking scene. Laconia Savings expanded into Concord occupying space vacated some time ago by Fleet. It then arranged to purchase nine branch banks from Fleet Financial Group before Fleet's merger with BankBoston. Thus in a short space of time it tripled its number of branches to fifteen. With the Fleet/BankBoston merger, Fleet Boston Bank becomes the eighth largest bank in the nation with total assets of \$2.4 billion. Before the consolidation is complete, Federal regulators must conduct a final review. Further divestiture in some market areas may be required. Two new banking operations will be opening in the Seacoast area. Maine-based Ocean National Bank will be opening an office in the Portsmouth area. Centrix Bank and Trust Company has received federal and state regulators' approval to open its start-up office in Portsmouth by the end of the year, after exceeding the initial \$5 million capital requirement for a new banking entity.

Citizens Bank announced recently the development of a \$25 million International Loan Fund. The loan fund will provide credit to New Hampshire exporters who might otherwise not be able to find financing for overseas trading.

Services

Based on the level of private employment, Services is the largest of the nine industry divisions. It has been on a continual upswing for quite some time. It barely

paused for the last recession. Commonly grouped with retail trade in the “service producing sector,” it is often perceived as a supplier of low-paying low-skill jobs. This notion may apply to Hotels and other lodging places, Amusement and recreation, and Personal services. Services’ employment, however, is dominated by relatively high paying, professional- and technical-worker employing industries such as Health services, Business services, Educational services, Social services, and Engineering and management services.

In March 1999 employment in the Services industry division reached 174,600 (based on not seasonally adjusted nonfarm employment estimates) gaining 6,800 jobs over-the-year. Its 4.7 percent growth in average annual employment in 1998 represented a quickening from the 3.1 percent growth of 1997. During the five years prior to 1997, Services growth had averaged better than five percent per year. Health services reached 49,400 jobs in March, adding 800 from March of 1998. Employment in hospitals, the largest component of Health services, saw slow but steady growth throughout 1998 and into 1999. It was up 2.6 percent over the year at the end of the first quarter.

Five years after their merger into Optima Health, Manchester’s Elliot Hospital and Catholic Medical Center are in the process of separating. Their union fell victim to problems inherent in a marriage joining a secular institution with a Roman Catholic institution. Elliott trustee Bill Donoghue said, “The ethical and religious directives of the Catholic Church are fairly clear and limiting on some procedures at the beginning and ending of life. Those directives intrude on the physician-patient relationship from the point of view of those of us at the Elliot Hospital.” Lahey Hitchcock Clinics went through an unmerging process earlier. Health care mergers had been touted as necessary in the increasingly competitive health care industry, but not every merger has proved workable. The Hitchcock Clinic announced in December losses of \$20 million, closed their mental health facilities, and instituted other austerity measures. The losses were, in part, blamed on the ill-fated merger with Lahey Clinics.

Business Services gained 800 jobs from March to March — a 2.6 percent increase. Employment in Hotels and other lodging places reached an August

peak of 12,900 and averaged up 3.4 percent for 1998. In March 1999 Hotel employment was up by 15.6 percent over the previous March. March is typically the second slowest month of the year next to April. Data on revenue collected from the state Rooms and Meals Tax suggests that hotel activity has been on the upswing throughout the current fiscal year.

Government

In 1998 average government employment increased by just 0.5 percent. That same rate of increase continued to March 1999. Federal employment declined by 200 from March to March while state government gained 500 and local government gained 100. State government nonfarm estimates, like FIRE estimates, contain noncovered employment. Work-study jobs held by students at state technical schools, colleges, and universities are not covered employment but are included in nonfarm estimates. In 1997 these accounted for more than 11 percent of state government employment.

Two major issues that have gripped the State of New Hampshire for more than a year had not yet been resolved by the third week in April. New Hampshire has the highest electricity rates in the nation. Deregulation of the New Hampshire electric utility industry, which is targeted at reducing those rates, is still awaiting a ruling from a Federal judge in Rhode Island. The New Hampshire legislature was still struggling over a solution to the state supreme court decision in the “Claremont case” that found the state’s method of funding public education in the state was unconstitutional. Both issues will likely have a significant long-term impact on the people of the state.

In the Claremont decision the court issued two challenges to the state: to define an “adequate” education, and to establish a means of funding that is fair and proportional. On April 29 both houses of the legislature passed a compromise bill which had been crafted in conference the day before. It was signed immediately by the Governor. The bill tweaks a number of existing taxes and creates a statewide property tax. These new revenues will lower property taxes in most of the state’s communities. They will help to relieve the burden of educational funding especially in “property

poor” communities, many of which are the state’s largest and most densely populated cities and towns. This may lead to increased local government employment in education or in other areas of local need if local revenues earmarked for education are freed up. State revenues are running well ahead of projections for the current fiscal year.

Conclusion

New Hampshire’s economy does not operate in a vacuum. It would not be likely to expand if the regional or national economy were in decline. The regional and national economies are now rolling right along in what has become the longest peacetime expansion in U.S. history. New Hampshire remains well positioned to take advantage of the good times. It has a diversity of industries. It offers an attractive quality of life. Its tax burden is low. Its labor force is well educated. Good

highways, an active seaport, and rapidly expanding airports offer easy access to markets next door and all over the world. Concerns still remain. How can we continue to spread the state’s prosperity out and away from the southeastern corner? If the paper industry should falter what would replace it in Berlin? Will there be enough housing to allow economic growth to advance? As we approach a new millennium, the prospects look bright for continued growth and prosperity.

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The "Rents" Portion of the Rooms and Meals Tax Revenues Has Been Building Significantly During the Current Fiscal Year

