



Employment SECURITY

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Summary of the New Hampshire Economy Spring 2001

Labor Force and Components May 2001	
Civilian Labor Force	699,640
Employed	679,930
Unemployed	19,710
Rate	2.8%

After surpassing 700,000 for the first time in April 2001, the estimate of the New Hampshire civilian labor force fell just below it in May. The May 2001 seasonally adjusted unemployment rate was 2.8 percent. This was a considerable jump from the 2.1 percent reported three months previously. The numbers behind the change portray a shaky picture. The civilian labor force grew by a minuscule 1,750 over the three months, and the growth was on the back of the unemployed. The number of employed residents actually decreased by 3,260. The number unem-

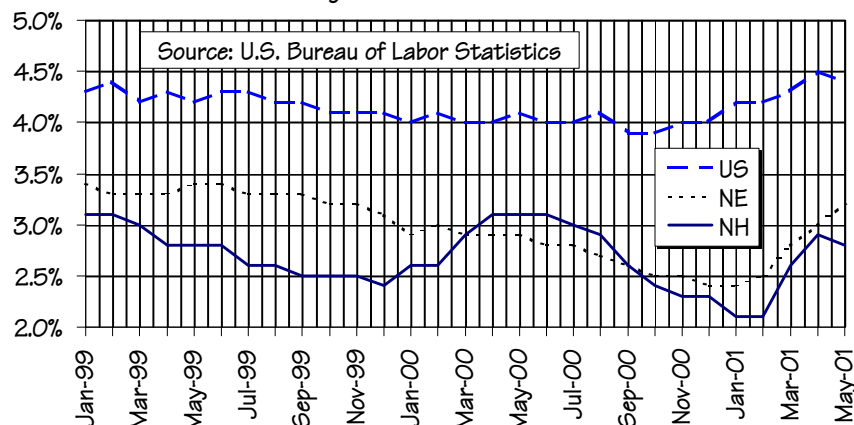
ployed jumped by 5,010 residents. Nonetheless, this estimate was 1,380 below those unemployed in April 2000. The state's unemployment rate extended its string to eight full years below the national average.

Covered Statewide Employment		
	Dec-99	Dec-00
Total	607,218	620,280
Private	526,669	540,518

Employment and Wages

In December 2000, the latest data available of jobs offered by New Hampshire employers covered by Unemployment Compensation, employment increased by more than 14,000 jobs over December 1999. Private industry expanded by about

New Hampshire's Unemployment Rate Has Been Below
New England's Since October 2000



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

13,850 with Government weighing in with just under 800 fewer jobs.

Wages in covered employment in 2000 exceeded \$21 billion. This was an increase of over \$2 billion from 1999, a full 10.8 percent above 1999. New Hampshire has been seeing total wages increase by a billion or more a year since 1994, but the largest jump prior to 2000 was shy of \$1.5 billion in 1998, a 9.0 percent increase.

Personal Income			
	1990	1999	2000
Personal Income (PI)	\$23,029	\$37,626	\$41,191
Per Capita PI (PCPI)	20,713	n/a	33,332
PC Disposable Income	18,117	n/a	28,719

Personal Income

Recently released personal income numbers for 2000 reflected the wage jump seen in 2000 employment and wages. Per capita personal income (PCPI) in New Hampshire was estimated at \$33,332 for 2000. This amount is 112 percent of the national average. It was the sixth highest PCPI in the nation, jumping ahead of both Colorado and Illinois from preliminary 1999 estimates.

Total personal income grew 9.5 percent in New Hampshire in 2000. This was the fourth highest rate of growth in the nation. The 2000 estimate followed gains of 7.2 percent in 1999, 8.3 percent in 1998, and 7.2 percent in 1997. Only Colorado surpassed New Hampshire over this four-year span.

The primary factor behind the increase was the gain in net earnings, reflecting the wages paid in recent years. The 2000 figure was 10.4 percent above 1999. Only five states had a higher percentage growth. Earnings in New Hampshire spanned the economy. Goods producing grew 10.4 percent; service producing was

up 10.7 percent. Only three other states, Massachusetts, California, and Idaho, saw double-digit growth in both sectors.

Dividends, interest, and rent was another component of personal income to show a large increase. This escalated by 8.8 percent over 1999. Only two states had a larger percentage increase.

Since this is the first estimate incorporating results from the 2000 Decennial Census, the per capita income numbers were weighed against 1990 Census data rather than 1999 estimates. In 1990 the Granite State ranked 11th highest in the nation with \$20,713 per capita income. Over the decade it grew by \$12,619, an increase of 60.9 percent. In the process, it passed California, Illinois, Delaware, Alaska, and Hawaii.

Like per capita income, per capita disposable income rose considerably in 2000. New Hampshire, at \$28,719, sidled into the 4th highest slot in the nation. This state had been hopping between 5th and 7th highest since 1993.

The 1991 through 1999 estimates, incorporating 2000 Census data, are due for release in September, concurrent with the revision of state personal income for 1998 through 2000.

Claims		
	May-00	May-01
Initial Claims	1,682	4,282
Continued Claims	12,125	19,015

Claims

Claims during the first three months of 2001 countered the national story. The numbers of initial and continued claims for unemployment compensation were virtually a mirror of the same months in 2000. April and May claims, however, took off. Initial claims, a request for determina-

tion of eligibility for unemployment compensation, more than doubled for the two months combined to 9,602 - up from 4,149 the previous year. Continued weeks claimed, a request by an eligible person for payment of compensation for a week of unemployment, rose from 23,370 in April and May 2000 combined to 36,273 in 2001. The increase was spread across the state. Continued weeks of unemployment compensation paid to claimants living in the areas surrounding two New Hampshire Employment Security Local Office areas - Salem and Somersworth were more than double a year ago. Initial claims made in Manchester and Nashua expanded by a factor of over three.

A sample of claims statewide, taken from the week including the 12th of the month, points to manufacturing as the division taking the biggest hit. Whereas about a fifth of initial claims in April 2000 were in Manufacturing, nearly two fifths were in that division in April 2001. Continued claims activity was not as severe, with the same one-fifth in 2000, but about 30 percent in 2001. Claims activity was highest in the manufacture of Electronic and other electrical equipment. This industry alone submitted over 15 percent of initial claims and seven percent of continued claims.

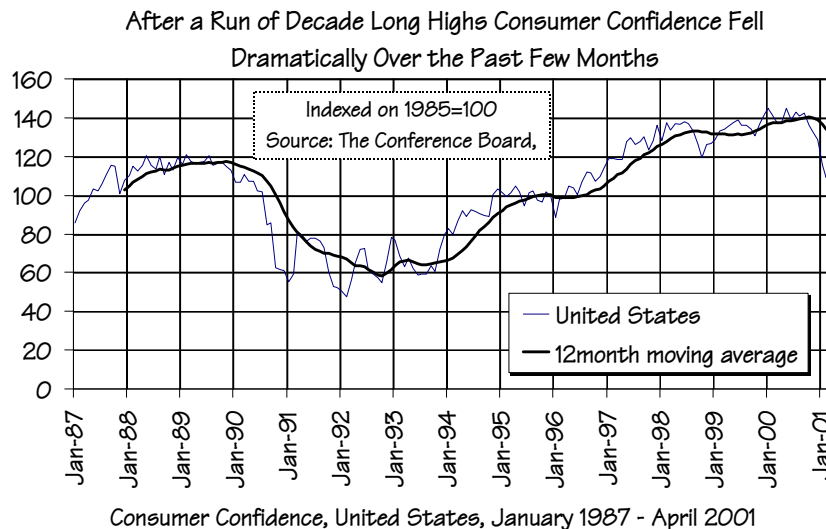
This mirrored nationwide trends where high technology firms, especially those

dubbed “.coms,” have run into difficult times. Joining them have been the auto industry and retailers. The fall of the NASDAQ stock exchange from its high of 5,048 on March 10, 2000 left many high tech companies with limited ability to raise capital. Movement in the stock market alters the ability of a startup company to get additional operating money from an Initial Public Offering (IPO). The fall of the stock market also portended limited automobile sales, computer sales and other big-ticket items as consumers delayed making major purchases.

Retail trade had been expanding at a feverish pitch, not only in New Hampshire, but nationally. Many existing retail establishments, however, are now experiencing limited growth because of new competition. Every new entity must carve its niche to survive.

Much of what we see in New Hampshire reflects national trends. Many of the recent layoffs have been in manufacturing, specifically in the manufacture of electrical equipment and of parts used in the manufacture of automobiles. Beyond that, communications providers have been forced to lay off staff, and the shut down of chain retailers has added to the unemployment rolls.

Consumer Confidence



With one exception, October 1998 at 119.3, U.S. Consumer Confidence had been above 120 since April 1997. January 2001 put an end to that. The first four months of 2001 had confidence levels of 115.7, 109.2, 116.9, and 109.2 respectively. The components behind the index portray an economy feeling somewhat okay about today, but quite skeptical about the future. Present Situation, where you are today, has fallen from the 180s of 2000 to 155.6 in April 2001. That is considerable but nothing compared to Future Expectations, which took a dive to depths not seen in many years. The first four months of 2001 marked the first time since 1993 for four consecutive months to weigh in below 90.

For the region, the Consumer Confidence level has been tumbling over the past year. It hit a 12-year high of 150.3 in May 2000 and, with one exception, had remained above 130 since December 1998. This came to a crashing halt in December 2000 when it slipped to 125.9 and now, in April 2001, has fallen to 100.0. The components exaggerated the national differences. April Present Situation at 164.2 was only marginally below levels in 1998. Future Expectations, however, recorded a dour 57.2, the lowest showing since February 1992.

Nonfarm Employment		
	May-00	May-01
Total All Industries	623,200	626,500
Private	536,000	542,600
Mining	400	400
Construction	25,400	25,900
Manufacturing	105,900	103,700
Transportation & Public Utilities	22,000	21,800
Trade Total	164,000	164,800
Finance, Insurance, & Real Estate	32,600	32,800
Services	185,700	193,200
Government	87,200	83,900

Nonfarm Employment

Growth in nonfarm employment continues. The increase, however, seems considerably diminished from previous years' gains. Growth from May 2000 to May 2001 in preliminary estimates of total employment is about one-fifth the size of typical May-to-May increases after 1992.

Private employment, like total employment, fell shy of recent May-to-May growth patterns. The 6,600 added jobs were concentrated in the Services division. That division alone added 7,500 jobs. Trade increases over-the-year totaled only 800, far short of recent May-to-May where there were patterns of expansion ranging between 5,000 to 8,000.

Government and Manufacturing led declines with losses of 3,300 and 2,200 respectively. Losses in Government were mostly at the Federal level. The Manufacturing job losses split nearly evenly between durable and nondurable goods. The manufacture of Electronic and other electrical equipment led losses with a 600 fewer jobs over-the-year.

Covered Construction Employment		
	Dec-99	Dec-00
Total	26,080	27,186
Private	24,459	25,569

Construction

Construction employment has continued its steady upward movement. Since December 1993, when Construction employment dropped by about 20 jobs from December 1992, this division has seen employment increases in every month compared to the same month in the previous year. There are major construction projects in the works. Pease Tradeport alone has just shy of a million square feet under construction. Corning in Nashua, Fidelity in Merrimack, and Poland Springs in Seabrook combine for another million

square feet in the works. Despite the slowing economy, these projects are continuing.

Construction Indices (1980=100)

After hanging between 360 and 470 since January 2000, the index of residential construction contract awards, seasonally adjusted, fell to 290.4 in March 2001. A similar tale unfolded throughout New England as every state except Vermont hit a 15-month low in March. (Vermont's April 2000 index was slightly below its March 2001 reading.)

Nonresidential construction contract awards remained quite high. The 888.5 March reading culminated a 13-month period with nine months above 500. The past four months, December through March, have been quite strong, with the index outstripping the indices of the other New England states.

The index of nonbuilding construction contract awards also maintained high numbers for the state. March recorded a 908.7. This index has been experiencing rather wild swings in the state. The past six months have had two unusually high months - December 3550.5 and October 2771.8; one high - March 908.7; and three relatively low, down to 61.6 in February. The highs relate to recent contracts let for the construction of two energy facilities, one in Londonderry and the other in Newington. These plants will produce energy from natural gas. The natural gas pipeline built in 1999 will bring the raw product from Nova Scotia.

Covered Manufacturing Employment		
	Dec-99	Dec-00
Total	106,405	107,990
Private	106,369	107,953

Manufacturing

Manufacturing held its own in 4th quarter 2000. November surpassed 107,000 and, in December, it kept going to nearly 108,000.

Manufacturing employment had fallen below 107,000 in June 1999 and remained there for over a year. Machinery manufacturing (SICs 35 and 36) combined to add over 2,000 jobs. The manufacture of Stone, glass and clay products and of Fabricated metal products combined to up employment by almost 750. Durable goods gains totaled about 2,600 and nondurable goods losses were around 2,500.

Early prognostications on first quarter 2001 do not point to such a rosy story. After the first of the year, things seem to have begun to tumble, especially nationally. Many national firms with a New Hampshire presence announced layoffs, some totaling thousands. The aforementioned claims data accentuate this.

Cut backs in some industries directly affect New Hampshire. Perhaps the most notable example is the automotive industry. Many New Hampshire manufacturers produce parts and supplies for that sector. Manufacturers of Rubber and miscellaneous plastics products, Transportation equipment, and Electrical and other electric equipment include businesses largely dependent on the automotive industry.

Computer companies, whether they produce hardware, software, components, programs, or Web sites, have cut back considerably over the past few months. During 2000 many companies had announced an expanded presence in New Hampshire. Most of these are not saying there will not be an expansion, but rather that they will delay staffing the facilities.

Covered TCU Employment		
	Dec-99	Dec-00
Total	27,013	26,591
Private	21,631	21,503

Transportation, Communications, and Public Utilities

This was the only division in private employment to have fewer jobs reported in December 2000 than in December 1999. For all of 2000, however, there was a slight gain over 1999. Only Communications showed any over-the-year strength. Transportation by air continued its upward climb, joining Communications as the only major groups in this division to gain employment December-to-December.

Covered Trade Employment		
	Dec-99	Dec-00
Wholesale	32,102	34,183
Retail	136,446	137,171

Trade

The pace of growth in Retail trade slowed dramatically in 2000. After years of two and three thousand job jumps December-to-December, 2000 saw an increase of only 725 jobs. Much of this can be laid at the feet of an overabundance of retail outlets. Over the past few years there has been a wealth of additions to existing malls, development of new strip malls, and the building of additional chain outlets. This may have stopped, at least temporarily. Another issue hindering growth, especially during the Christmas rush, was the availability of a labor force. New Hampshire's low unemployment rate predicted a shortage of people available to take entry-level positions.

Apparel and accessory stores lost 700 jobs December-to-December, continuing a rather lethargic decade for that major group. It peaked in December 1994 at slightly over 8,000 jobs. It spent most of last year below 6,000.

Wholesale trade continued its explosive growth in 2000. The division broke the 25,000 mark in March 1995. It took only three years to extend past 30,000 and has

continued to boast record employment up to the December 2000 high, which exceeded, for the first time, 34,000 jobs.

Covered FIRE Employment		
	Dec-99	Dec-00
Total	32,084	32,381
Private	32,010	32,303

Finance, Insurance, and Real Estate

This division, like Retail trade, showed rather lethargic growth December-to-December. All the excitement in the division has been in Security and commodities brokers. Employment there broke the thousand-job barrier for the first time in April 1996. Beginning there, it has now gone past the 5,000 mark with 5,007 in December 2000. The average annual wage in 2000 within the major group was pushing six figures.

Covered Services Employment		
	Dec-99	Dec-00
Total	211,031	218,838
Private	168,228	175,943

Services

This division carried the economy in 2000. It contributed over 7,000 of the 13,000 added jobs December-to-December. Business services alone pushed the division up by 3,845 jobs. The most extraordinary industry group growth has been in Computer services. It has experienced nothing but ups for a long time. For every quarter of the past four years, average quarterly employment has been larger than its previous quarter. December 1994 was the first time Computer services broke 5,000. It hit 10,000 in July 1999 and closed out the year 2000 with 13,287. The speed of its rise may signal its vulnerability. Many ".coms" develop software programs and thus fall into this classification.

Covered Government Employment

	Dec-99	Dec-00
Total	80,549	79,762

Government

The Postal Service recorded nearly all the loss in Federal employment. It always grows in December to handle holiday traffic. December 2000 employment was 4,272, considerably shy of the peak of 5,167 tallied in December 1997. The Postal Service claims it has been fighting large losses, driven by less mailing, possibly the result of increased use of the Internet, and also increased fuel costs and larger salaries.

Local government losses were mostly in local public administration where employment was off by 650 jobs. Local education dropped slightly December-to-December.

About half of the State government increase was in state education. The other half was in Public administration.

Conclusion

Spring 2001 is an uncertain time. Layoff notices abound. The litany of companies downsizing nationally is not the companies seen in this position before. Every newspaper seems to add another name to the list. FedEx, Hewlett Packard, Dell, Disney, the list is huge. Directly or indirectly, every major layoff nationally affects New Hampshire. Even if a company employing thousands nationwide does not have a New Hampshire presence, in all likelihood, some businesses in the state either support it or depend on it.

The year 2000 brought some impressive economic numbers. The civilian labor force hit 700,000 for the first time, bringing with it employment levels exceeding 680,000. The unemployment rate for the year was 2.7 percent, seventh lowest in the nation. Covered employment continued to expand in the 14,000 range, as it has for the past few years. An outstanding number was the

additional \$2 billion in wages and salaries paid by New Hampshire employers. That two billion fueled the service economy as people dined out, took vacations, bought insurance, invested, and purchased goods. Personal income data based on the census reflected the wages paid as New Hampshire climbed to sixth highest state in the nation in per capita income.

In summaries for the past few years, employment and wage numbers painted a fairly reliable picture of trends into the immediate future. December 2000 numbers, however, may not reflect summer 2001. Nonfarm estimates showed declining manufacturing jobs. This is after manufacturing growth in 2000. Claims for April showed a spike not seen since 1997. A number of companies either are announcing cutbacks or are shutting down altogether. Construction projects for businesses expanding into New Hampshire or broadening their New Hampshire presence are going forward. Staffing of them is another issue. Many of these businesses say they are delaying that process. All this could produce bump similar to the 1982 scenario.

A recession the likes of 1991 is unlikely. Many of the problems facing the state in the late 1980s and early 1990s were considerably different than those today. There does not seem to be an overbuilding crisis. In fact, there seems to be a continuing housing shortage. Banks seem to be more solid than they were a decade ago. Growth has been taking place across the economy. This diversity should buffer the state over the next few months and perhaps abate somewhat the influence of any national slowdown.

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