



6. Private Enterprise

Everyone is familiar with the news about the struggling economy and the effects on “Main Street.” Some New Hampshire numbers can help put this in perspective. RKM Research conducted a survey in late 2007 for the Business and Industry Association that used New Hampshire’s business profits tax as an indicator of profitable economic activity in the state. In fact, New Hampshire’s business profits taxes for fiscal year 2008 increased from the previous year. With this as a measurement, it is a sign that things might be going better than expected for businesses in the state.

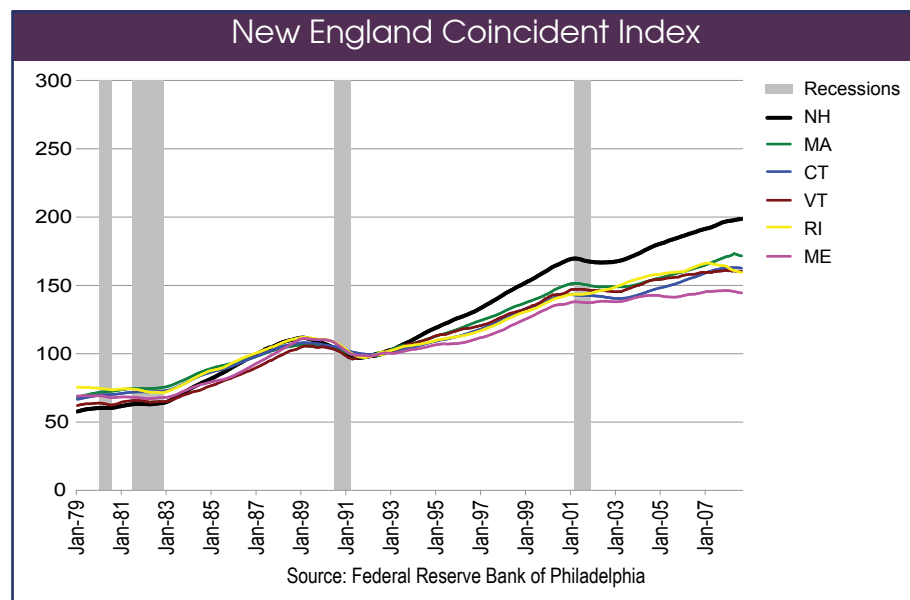
Adding unemployment components to the mix shows that unemployment levels have been creeping upward and may hit a 4.0 percent average for the year. Even though more individuals are finding themselves out of work, the number of employed residents in the state had been growing at an annual rate approaching

Coincident indexes combine four state-level indicators to model state economic activity on a monthly basis, i.e. state business cycles. The four variables used in developing each coincident index are nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and wage and salary disbursements deflated by the consumer price index (U.S. city average). The trend for each state’s index is then set to the trend of its gross domestic product by state (GDP), so long-term growth in the state’s index matches long-term growth in its GDP. A single-factor model is used to create the state indexes.

Source: [State Coincident Indexes](http://www.federalreservebankofphiladelphia.org/research-and-data/regional-economy/indexes/coincident/). Federal Reserve Bank of Philadelphia. Accessed October 20, 2008. <www.philadelphiafed.org/research-and-data/regional-economy/indexes/coincident/>.

one percent each year.¹ By November 2008, the number of employed in the state had fallen almost 3,400 people from the previous November, while the

¹ [Local Area Unemployment Statistics, Seasonally Adjusted](#). New Hampshire Employment Security, Economic and Labor Market Information Bureau.



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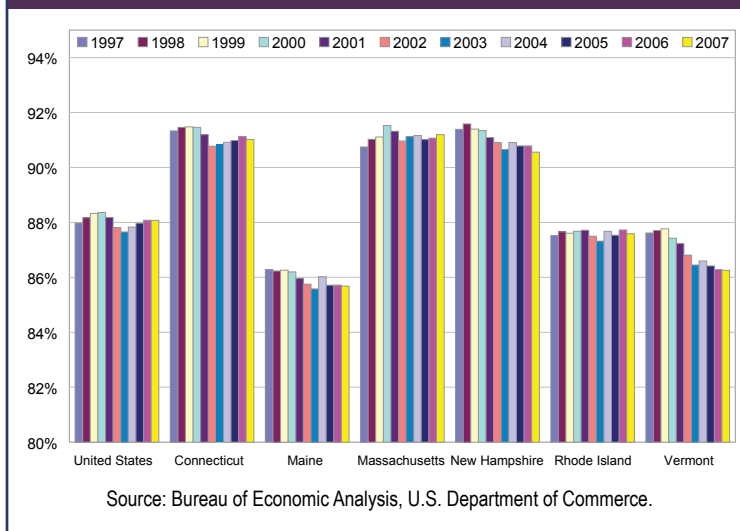
number of unemployed had grown more than 6,600, an increase of almost 27 percent from the same time period. The shrinking employment of residents and the increasing numbers of unemployed counteract the positive reading from the business profits tax as a gauge of economic health.

The Federal Reserve Bank of Philadelphia provides another indicator that examines economic activity levels of businesses in the state. This is a coincident index using four state-specific measurements to arrive at a statistic summarizing the economic activity of that state.² This index shows how business confidence in all the New England states declined in the early 1990's and took slightly longer to recover after the declared end of the recessionary period of March 1991.

Composition of the gross domestic product by state (GDP) is another measure of

² State Coincident Indexes. Federal Reserve Bank of Philadelphia. Accessed October 20, 2008. <www.philadelphiafed.org/research-and-data/regional-economy/indexes/coincident/>.

Share of New England Gross Domestic Product from Private Industries



the health of state economies. Among the New England states, New Hampshire, Massachusetts, and Connecticut typically have higher shares of GDP from private industry (over 90 percent) than the national average (which is 85 to 89 percent). The most recent peak in New Hampshire's share of GDP from private industry was in 1998 when it reached 91.6 percent. New Hampshire, along with most New England states, followed the

High Tech by NAICS	2004	2005	2006	2007	Source
Average annual employment	52,351	53,102	53,063	53,477	NHES
Average annual number of employing units	4,089	4,152	4,308	4,338	NHES
Total wages (millions of dollars)	\$3,446.6	\$3,662.1	\$3,927.3	\$4,056.8	NHES
Average weekly wages	\$1,266.09	\$1,326.22	\$1,423.32	\$1,458.86	NHES

New Firms	2004	2005	2006	2007	Source
New incorporations in New Hampshire	2,613	1,285	1,507	1,264	SOS
Out-of-state incorporations new to New Hampshire	1,787	1,329	1,706	1,713	SOS
New Limited Liability companies (LLC) in the state	8,012	7,261	8,118	7,746	SOS
Out-of-State LLCs new to the state	674	636	883	982	SOS

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same trend as the nation when the share of private GDP dropped in 2001 and 2002 as a result of the last recession period. For the most part, however, New Hampshire's share of private GDP has been trending downward since that time.

Real Estate

Business vacancy rates for New Hampshire as tracked by CB Richard Ellis also provide another aspect of the health of the state's business activity. Overall, the office market status through 2007 was relatively stagnant, with the vacancy rate increasing only slightly, from 14.1 percent to 14.4 percent. However, different areas around the state demonstrated different business patterns. A slight decline in office markets was seen in the Seacoast/I-95 area, with vacancy rates ranging from 16.1 percent to 16.3 percent. Another area reviewed was the I-93/Route 3 corridor. With little or no new leasing requirements expected, the outlook is that the office markets in the area will remain stable, with vacancy rates just shy

of 14 percent. Overall vacancy rates in the Manchester area have been above historical averages, and this condition will continue to contribute to a positive tenants' market.³

On the other hand, the industrial market in New Hampshire showed more positive trends as the vacancy rate dropped from 12.4 percent to 11.4 percent. The Seacoast/I-95 area industrial market leveled off in 2007, demonstrating a slow improvement since 2003. In the I-93/Route 3 corridor region, industrial vacancy rates dropped from 14.0 percent to 12.6 percent. Other elements used to build these measurements are the demands from prospective tenants for ample land, suitable for expansion, available square footage and ceiling heights.⁴

³ [New Hampshire Market Survey Year End 2007](#).
CB Richard Ellis Group. Accessed October 22, 2008.
<www.cbre.com/USA/US/NH/Portsmouth/Profile.htm?pageid=11>.

⁴ [New Hampshire Market Survey Year End 2007](#).

Percent of Establishments with 100+ Workers

(Ranked from highest among 50 states and D.C.)

	2004	2005	2006	2007	Source
New Hampshire	2.1%	2.3%	2.2%	n/a	CB/NHES
United States rank	31	37	33	n/a	CB/NHES
Connecticut	2.4%	2.6%	2.5%	n/a	CB/NHES
United States rank	16	26	18	n/a	CB/NHES
Maine	1.7%	1.7%	1.7%	n/a	CB/NHES
United States rank	45	41	46	n/a	CB/NHES
Massachusetts	2.7%	2.8%	2.7%	n/a	CB/NHES
United States rank	6	13	9	n/a	CB/NHES
Rhode Island	2.2%	2.3%	2.2%	n/a	CB/NHES
United States rank	28	42	34	n/a	CB/NHES
Vermont	1.5%	1.6%	1.6%	n/a	CB/NHES
United States rank	47	47	48	n/a	CB/NHES

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Firms by Size ^{a, b}	2004	2005	2006	2007	Source
Total Number of Firms with employment	33,461	34,478	35,066	35,294	NHES
1 - 4 employees	19,109	19,348	19,839	20,154	NHES
5 - 9 employees	6,238	6,614	6,544	6,637	NHES
10 - 19 employees	3,932	4,095	4,211	4,045	NHES
20 - 49 employees	2,576	2,775	2,801	2,790	NHES
50 - 99 employees	863	921	941	917	NHES
100 - 249 employees	506	500	492	511	NHES
250 - 499 employees	137	126	136	141	NHES
500 - 999 employees	64	67	66	64	NHES
1,000 & over employees	36	32	36	35	NHES
Net Annual Change in Number of Firms	658	1,017	588	315	NHES
Net Annual Change in Number of Employees	8,467	4,834	9,721	1,615	NHES
1 - 4 employees	753	334	995	223	NHES
5 - 9 employees	685	2,640	-645	544	NHES
10 - 19 employees	1,007	2,259	1,441	-2,138	NHES
20 - 49 employees	-749	5,858	1,138	-329	NHES
50 - 99 employees	550	4,201	2,183	-2,004	NHES
100 - 249 employees	2,320	-945	-1,647	2,517	NHES
250 - 499 employees	2,345	-5,035	2,536	2,780	NHES
500 - 999 employees	4,385	2,519	-1,470	35	NHES
1,000 & over employees	-2,829	-6,997	5,190	-13	NHES
Percent of Total Employment (by size of firm)					
1 - 4 employees	7.3%	7.3%	7.5%	7.4%	NHES
5 - 9 employees	8.0%	8.4%	8.3%	8.2%	NHES
10 - 19 employees	10.3%	10.7%	10.9%	10.3%	NHES
20 - 49 employees	15.0%	16.0%	16.2%	15.8%	NHES
50 - 99 employees	11.4%	12.1%	12.5%	11.9%	NHES
100 - 249 employees	14.8%	14.4%	14.1%	14.3%	NHES
250 - 499 employees	9.6%	8.5%	9.0%	9.3%	NHES
500 - 999 employees	8.5%	8.9%	8.6%	8.4%	NHES
1,000 & over employees	15.1%	13.6%	14.6%	14.3%	NHES

^aFirms by size numbers are based on March covered employment data, in each calendar year.

^bFirms by size since 2000 have been revised

New & Terminated Firms Covered by Unemployment Compensation	2004	2005	2006	2007	Source
New firms	5,950	5,786	5,881	5,677	NHES
Terminated firms	5,401	5,406	5,481	5,523	NHES