New Hampshire Center for Public Policy Studies

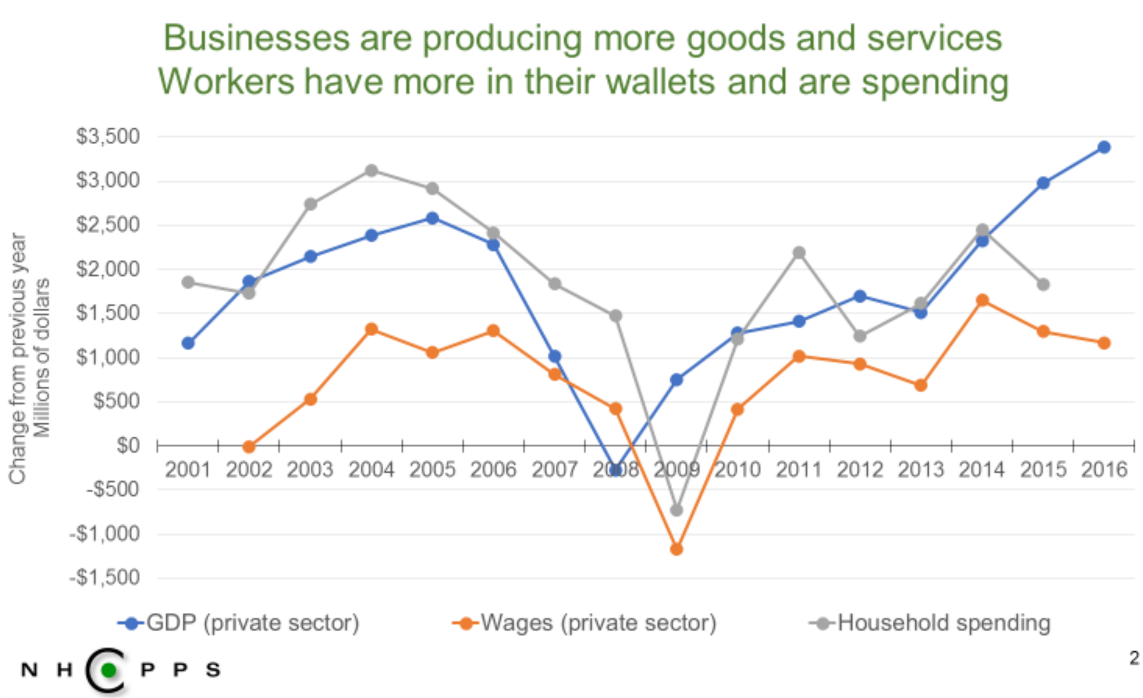
The Center's latest take on the state of the New Hampshire economy

August 4, 2017

At its core, an economy is the total of all the buying and selling (transactions) that take place between businesses, consumers, the financial system, and the public sector. Standard economic indicators suggest our economy continues to steadily grow at a healthy pace.

Our private sector, which is responsible for nearly 90% of the production and employment in the Granite State, continues to sell more and more goods and services to our residents as well other Americans and foreigners, in fact nearly $3.4 billion worth of additional output from 2015 to 2016 to be precise.

This additional business for our firms has translated into them employing more workers and paying out more wages, $1.3 billion in extra wages to be exact, which has enabled households, overall, to feel confident about their financial situation, as evidenced by survey data from the Business & Industry Association and UNH, and allowed them to unleash that confidence and income into more and more consumer purchases.



The transactions that comprise the NH economy are disproportionally occurring in the southeastern section of our state. Consequently, the positive economic trends outlined above are isolated in a few corners of New Hampshire.

Though our state boundaries suggest that the residents of Salem live in the same political entity as the residents of Colebrook, research by Ross Gittell, Chancellor of the Community College System of NH, suggests that in terms of economic characteristics, we actually have at least two New Hampshires. He breaks the state into two categories, based on their proximity to Boston:

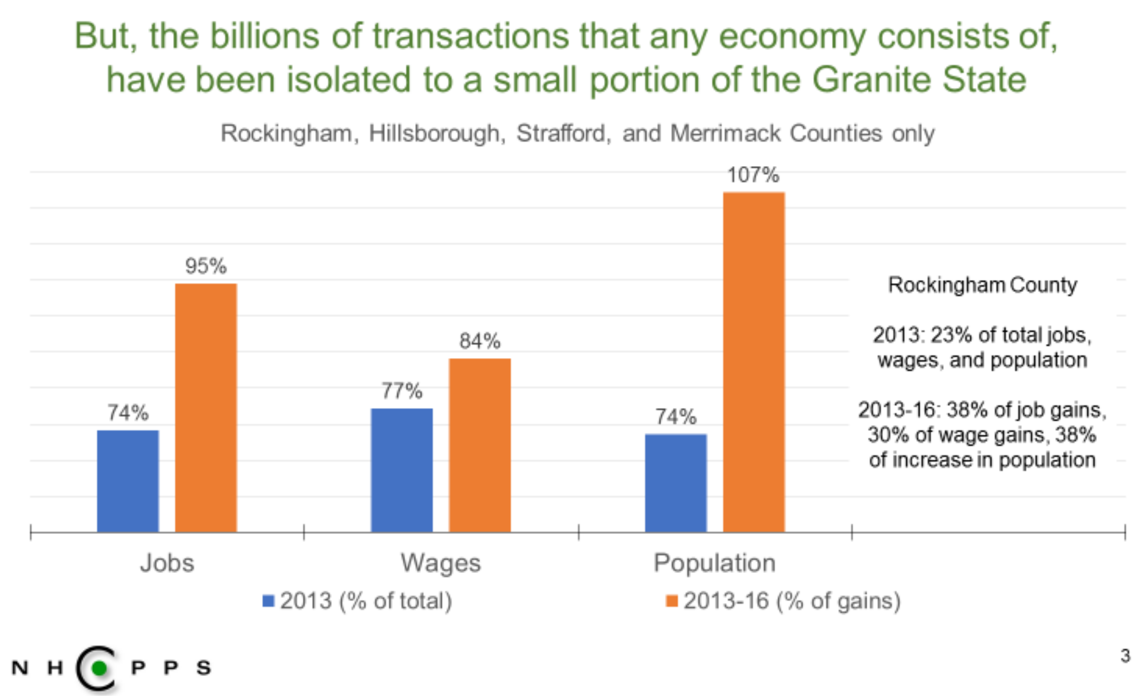
Urban NH: Rockingham, Strafford, Hillsborough, and Merrimack counties

Rural NH: Belknap, Coos, Cheshire, Sullivan, Grafton, and Carroll counties

Looking at New Hampshire's economy through this lens, we can see that over the past three years, the vast majority of jobs have been created in urban NH, and that's where the majority of wages have been paid out, and where the most people have moved.

One would expect this to some degree, since that is where most of our state's population lives and where most employers are located. Nevertheless, the level of economic activity that has taken place in these four counties is much higher than might be anticipated, even for their size.

For example, in 2013, Rockingham County comprised about 23% of the state's population and labor market (jobs and wages). Yet, between 2013 and 2016, it was responsible for almost 40% of our job gains and population increase.



Most private-sector industries are increasing their workforce, with healthcare, construction, restaurants, and white-collar office businesses leading the charge.

Of the 84 private sector industries on which we have employment data, only about 30% had fewer workers in 2016 vs 2015, and most of these workforce losses were quite small. Of those that contributed the most, the eight below were responsible for roughly half of the gains.

Of note, three of the top eight industries are located in the broader healthcare industry, which signals how important the healthcare sector is to overall economic growth. Thus, if the industry experiences any adverse financial impacts due to potential changes in the Affordable Care Act, it would likely ripple throughout the broader economy.

Top 8 industries in terms of net job gains (2015-16)

Specialty trade contractors	984	Social assistance	544
Food services/drinking places	956	Professional/technical services	472
Ambulatory health care	879	Construction of buildings	369
Hospitals	589	Insurance carriers	331
Total number of private sector jobs gained in these 8 industries: 5,124			
Total number of private sector jobs gained in all industries: 10,534			

There are some preliminary signs that the pace of hiring is starting to wane.

The Bureau of Labor Statistics (BLS) is the principal entity responsible for measuring and analyzing the labor market. In terms of counting how many workers do New Hampshire employers have, the BLS employs two methods. One is through surveying a sample of employers and coming up with an estimate. The second technique is through obtaining information from virtually every employer (a census) and arriving at a hard number. There are pros and cons to each process. The sample estimate is very timely (data for June 2017 is published in July 2017), but has a wide range of potential error and is thus revised quite often. The hard number is as accurate as the BLS can get, but the data is 6 to 9 months behind the present time (data for December 2016 came out in June 2017).

These two different methods are sending different signals about the New Hampshire labor market. The more timely, but less precise information shows that the status quo is holding and the pace of hiring remains strong.

However, the more precise, though less timely data suggests that near the end of 2016, a slowdown emerged. Whether this "braking" has remained into 2017 and that something more is happening is unclear and we will have to wait until September for more information.

Nevertheless, this "slowdown" is being corroborated by data on the employment status of New Hampshire residents. This data also comes from the BLS, through a survey of households, not employers, and is like the data we mentioned above, though has a few minor differences. One main difference is that you could be a New Hampshire resident who is employed, but work in Massachusetts. If so, you would not show up in the count of jobs on New Hampshire payrolls, but would show up in the count of employed residents. Now, to the point of looking at this data, it shows that the rate of increase in employed residents is also slowing down, similar to the less timely payroll data.

Why does this "potential" slowdown matter? If it has indeed occurred, it could suggest a potential downturn in the economy, though that appears unlikely, as other indicators signal the rate of layoffs is quite low. What could be happening is that the pool of available labor from which employers have to hire from has shrunk to such a low level that there are very few qualified candidates from which choose from and therefore employers are not able to hire as much as they would prefer. If so, this could potentially threaten businesses' plans to grow.