



New Hampshire Center
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NH Economic Outlook

NH House Ways and Means

Wednesday, October 23, 2013

“...to raise new ideas and improve policy debates through quality information and analysis on issues shaping New Hampshire’s future.”

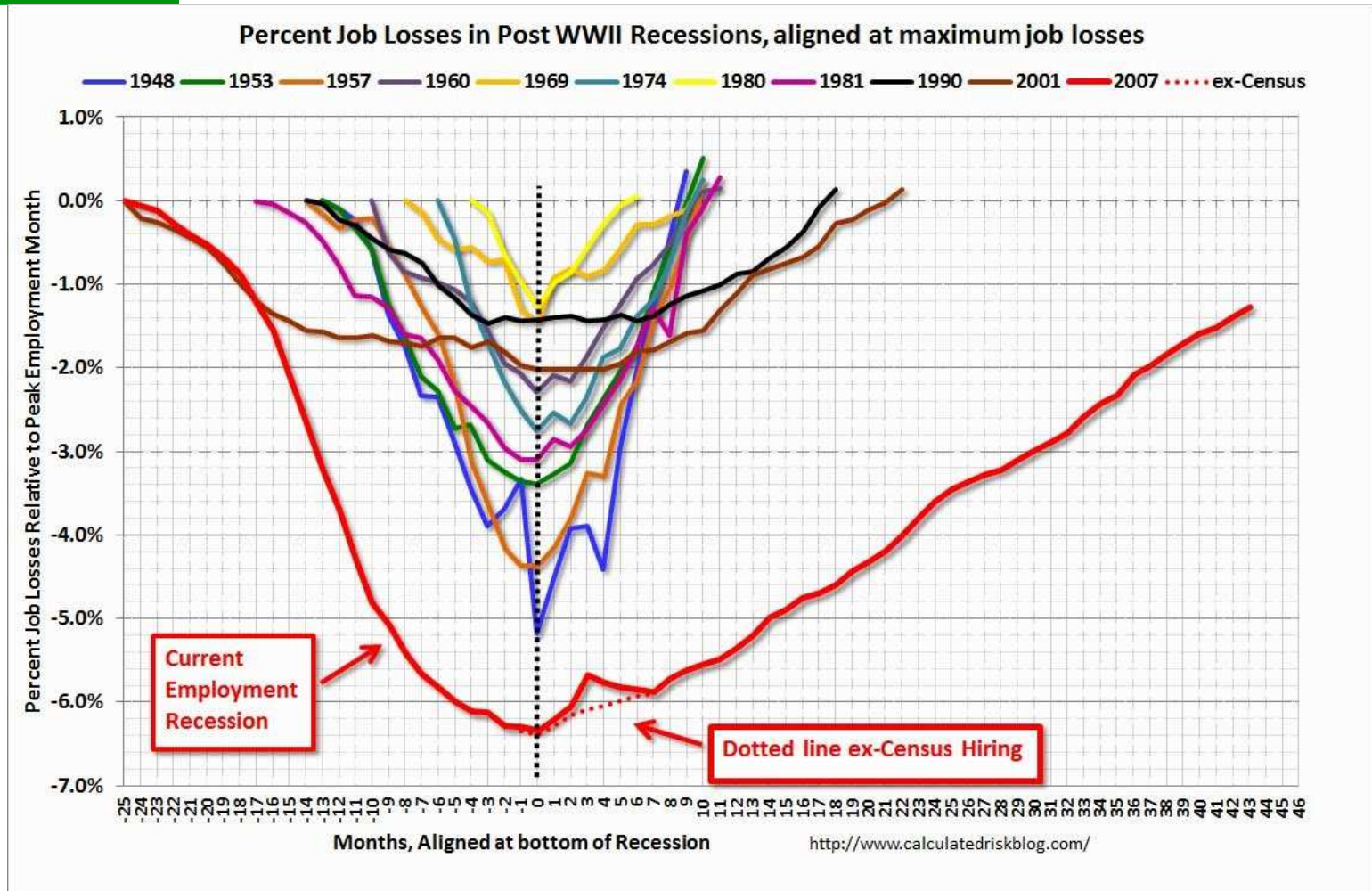
2 Themes

- NH Recovery Continues Slowly
- State revenues and risk

Anecdotal evidence from Fed Bank of Boston, October 16, 2013

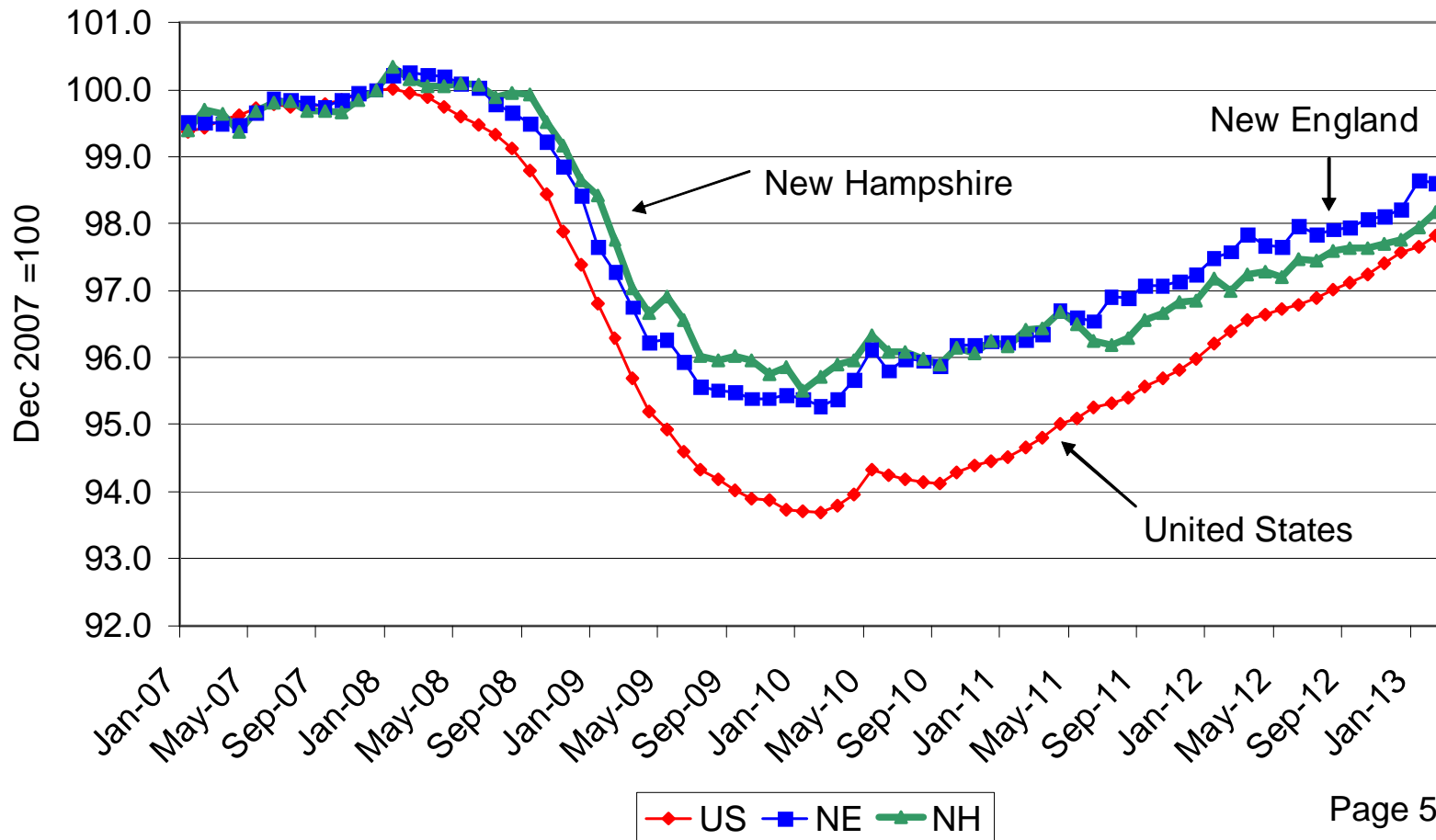
- Reports from business contacts indicate the New England economy continues to grow, at a pace that varies depending on sector.
- Most retailers and manufacturers report moderate increases in revenue, while consulting and advertising contacts cite robust growth.
- Residential and commercial real estate markets continue to improve.
- Aside from consulting, most firms are doing little to no hiring, or hiring only for replacement.
- Prices are largely unchanged.
- Firms doing business with the government have been affected by the sequester.

Calculated Risk has the clearest picture of the problem we face:



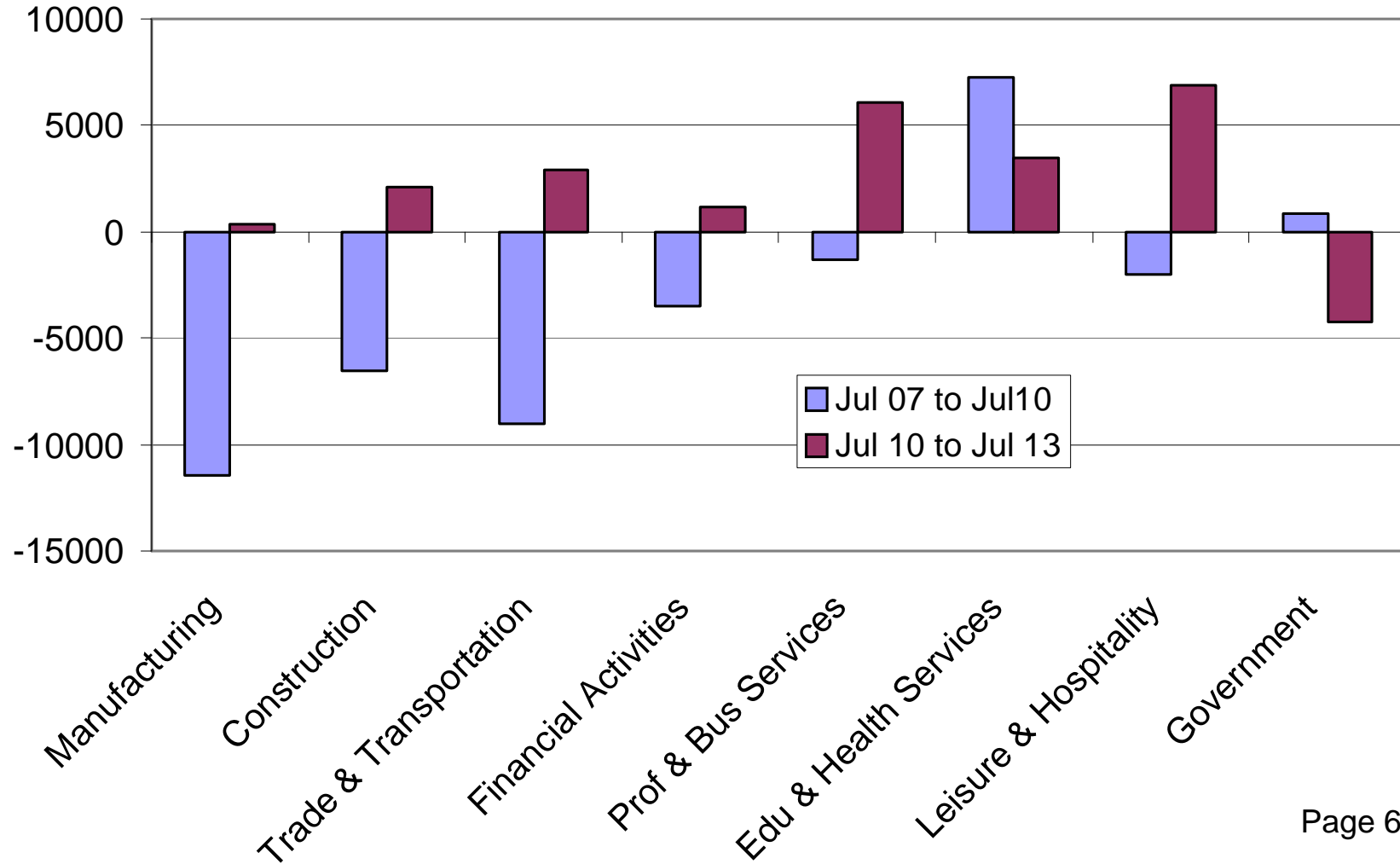
NH – Less of a decline, but a slower recovery

Index of Total NonFarm Employment
(Seasonally Adjusted)



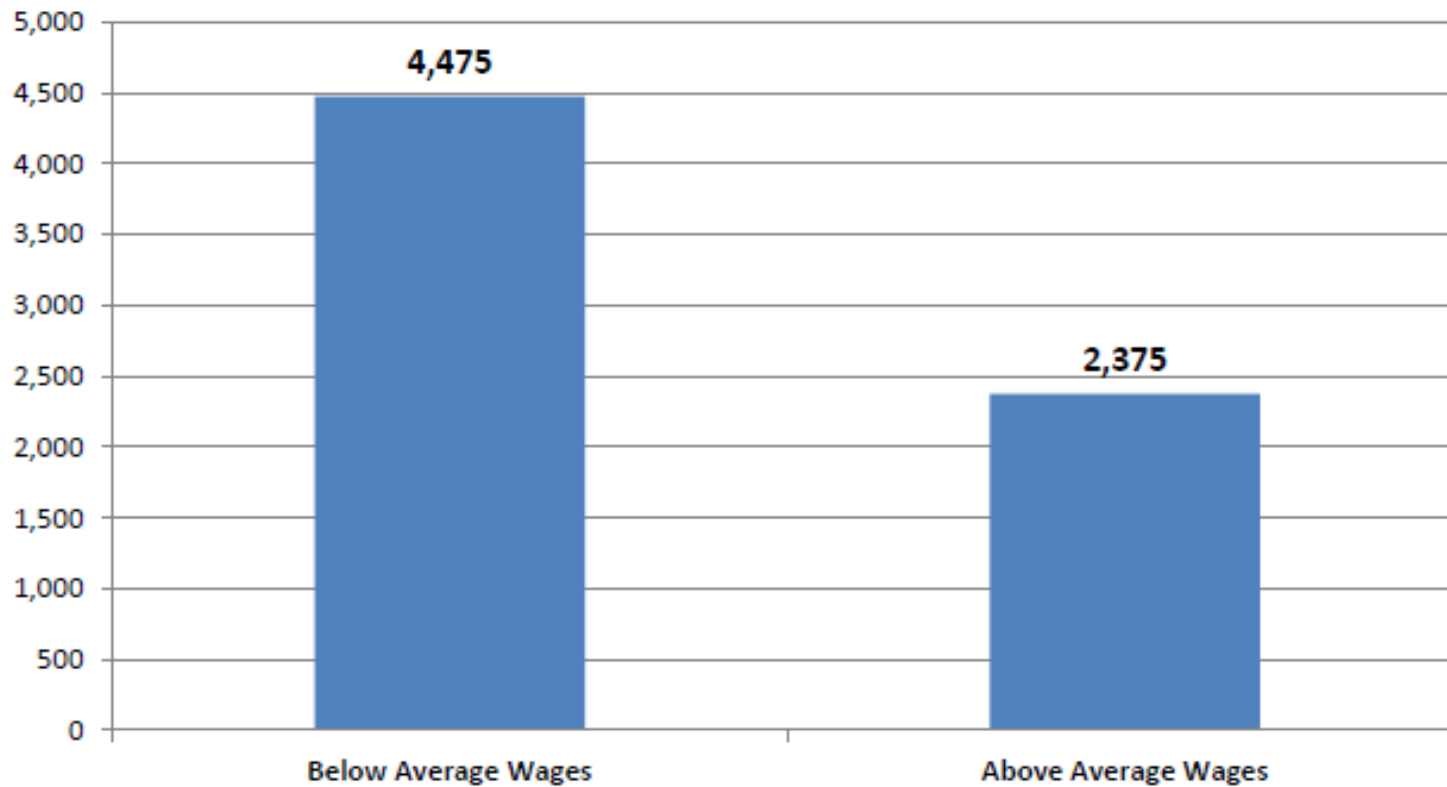
Many NH Employment Sectors Have Still Not Recovered

Change in New Hampshire Jobs



Job Quality is Mediocre

NH Job Growth By Average Wage, 2nd Quarter
2011-12

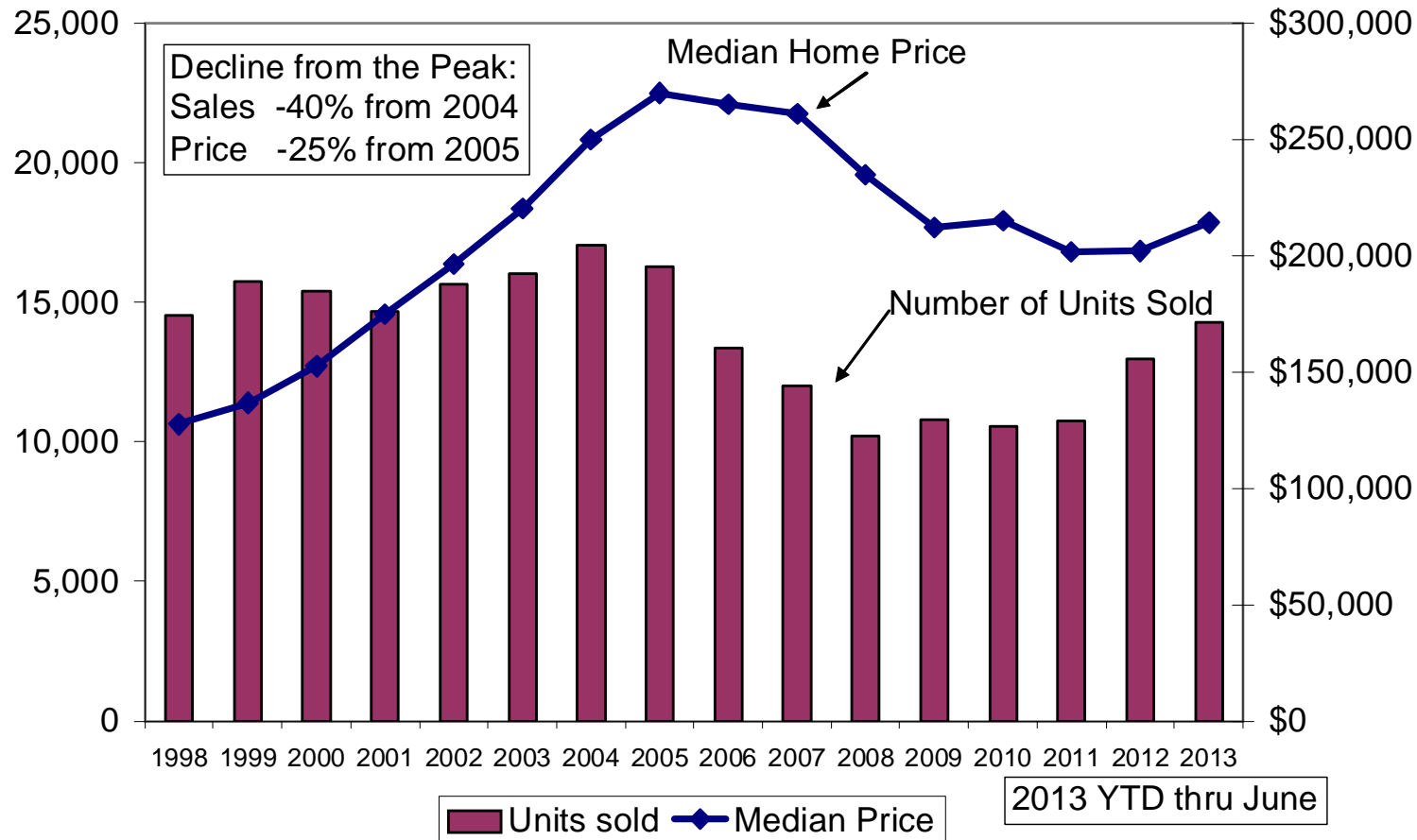


NEEP Forecast for New Hampshire November 2013

- Growth in the economy is close to 2% and improving.
- Housing causes acceleration in growth.
- A failure to raise the debt ceiling (in 2014) would be serious, likely sparking a financial crisis and a sharp recession.
- We are close to finally breaking free from the black hole of the Great Recession. All it takes is for Washington to come together.

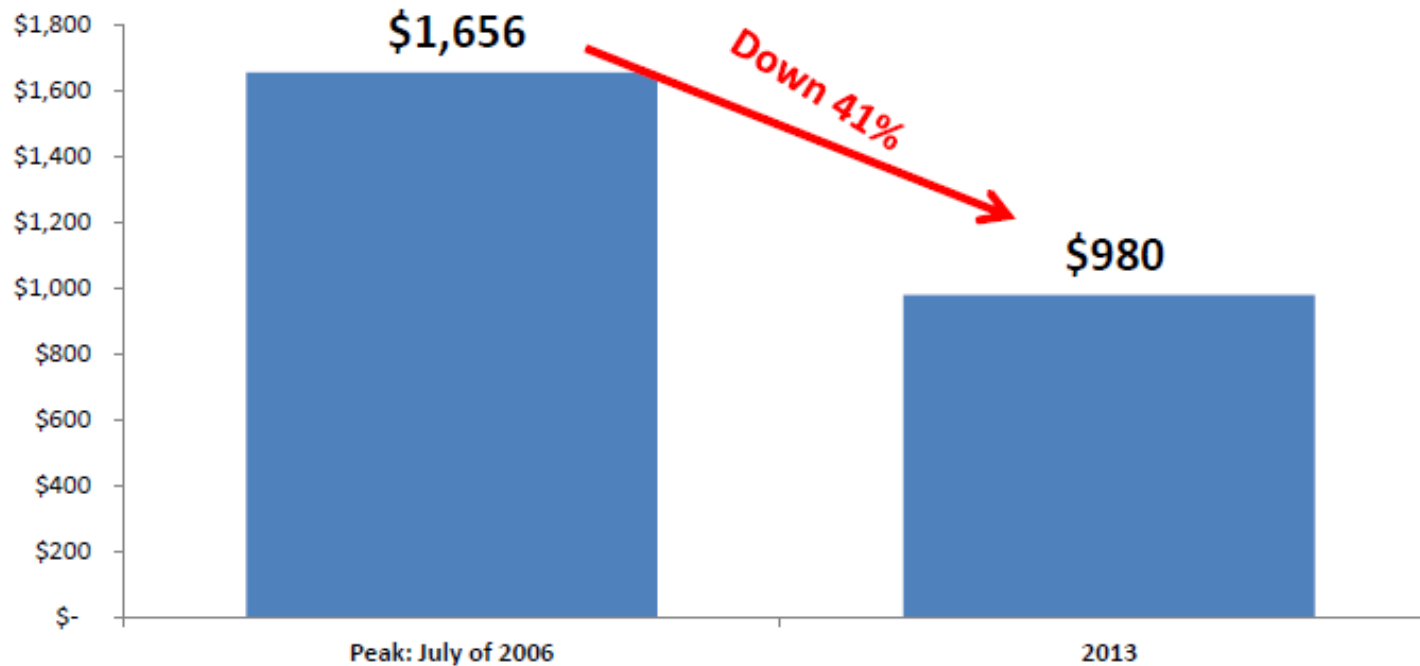
NH Real Estate Has Finally Hit Bottom

NH Single-Family Residential Home Sales and Price (MLS)
Source: NH Association of REALTORS



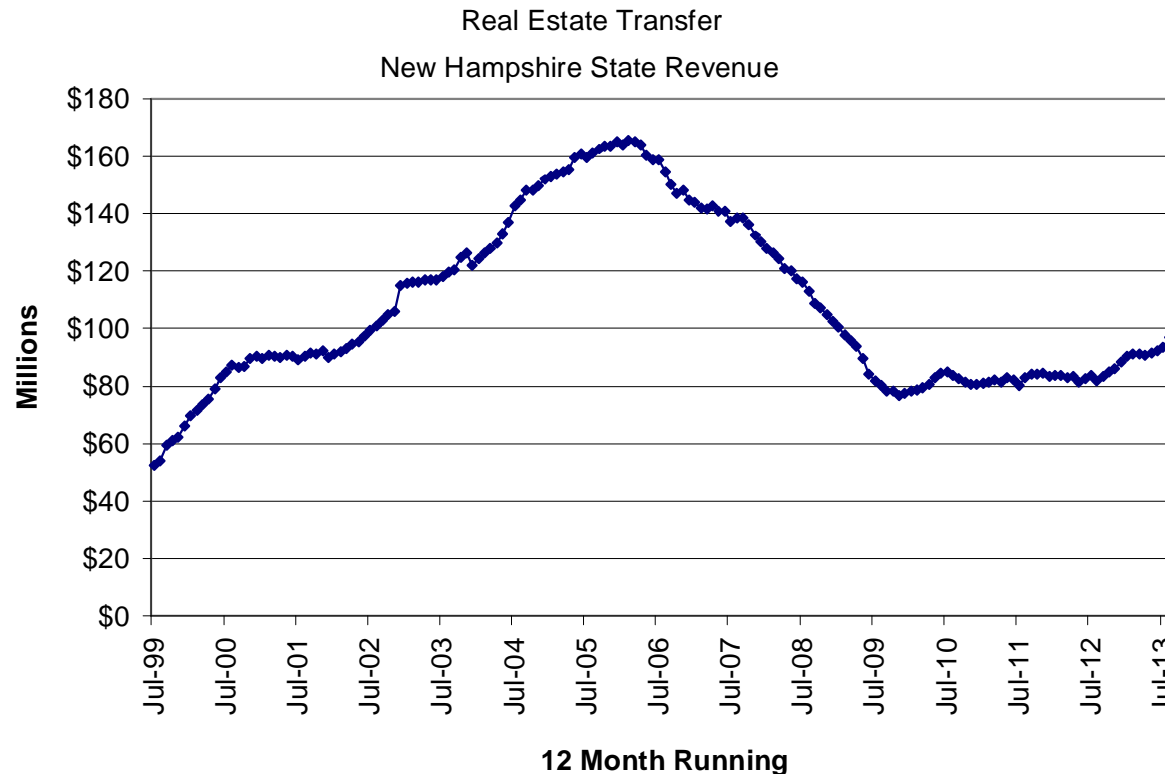
Declines in Prices and Interest Rates Affect Affordability

Monthly Mortgage Payment For Median NH Home
30 Year Conventional Mortgage @ 90% of Purchase Price



Housing market have improved this past year

- Look for a modest improvement in RET revenues, on the order of 5-10% for the next year and probably the next two years.



But.....

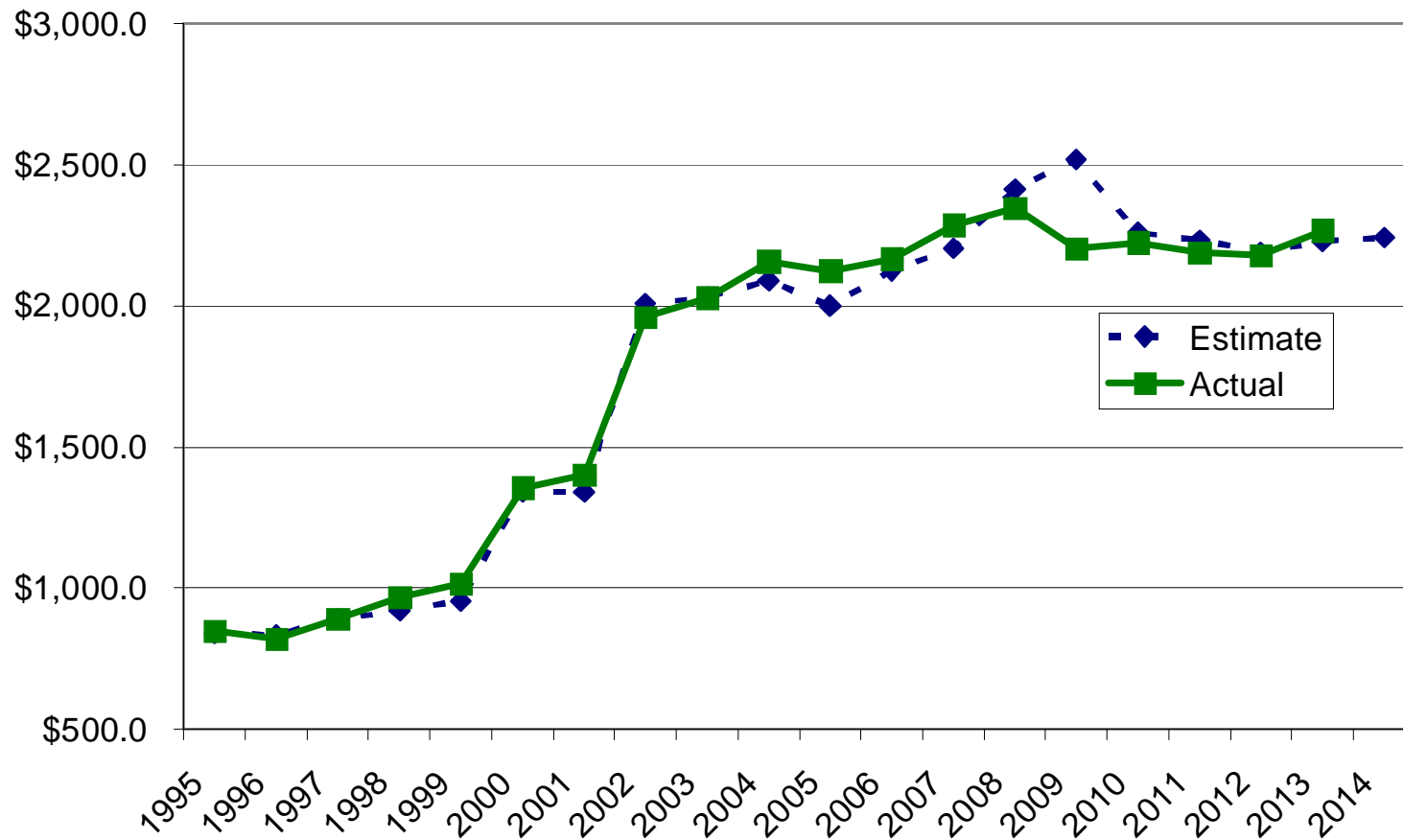
- NH's Young households are burdened by highest level of student debt in the Nation;
- Lending standards are more rigorous—Qualifying Mortgage, 43% debt to income limit, etc.;
- With rents rising and mediocre job quality, more difficult to save and qualify;
- Nearly 20,000 foreclosed units in past several years in the state—some will not qualify;
- Lack of liquidity is keeping boomers in larger houses than they need;
- Prices and interest rates are rising in past several months, blunting recent affordability improvements.

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- State revenues and risk

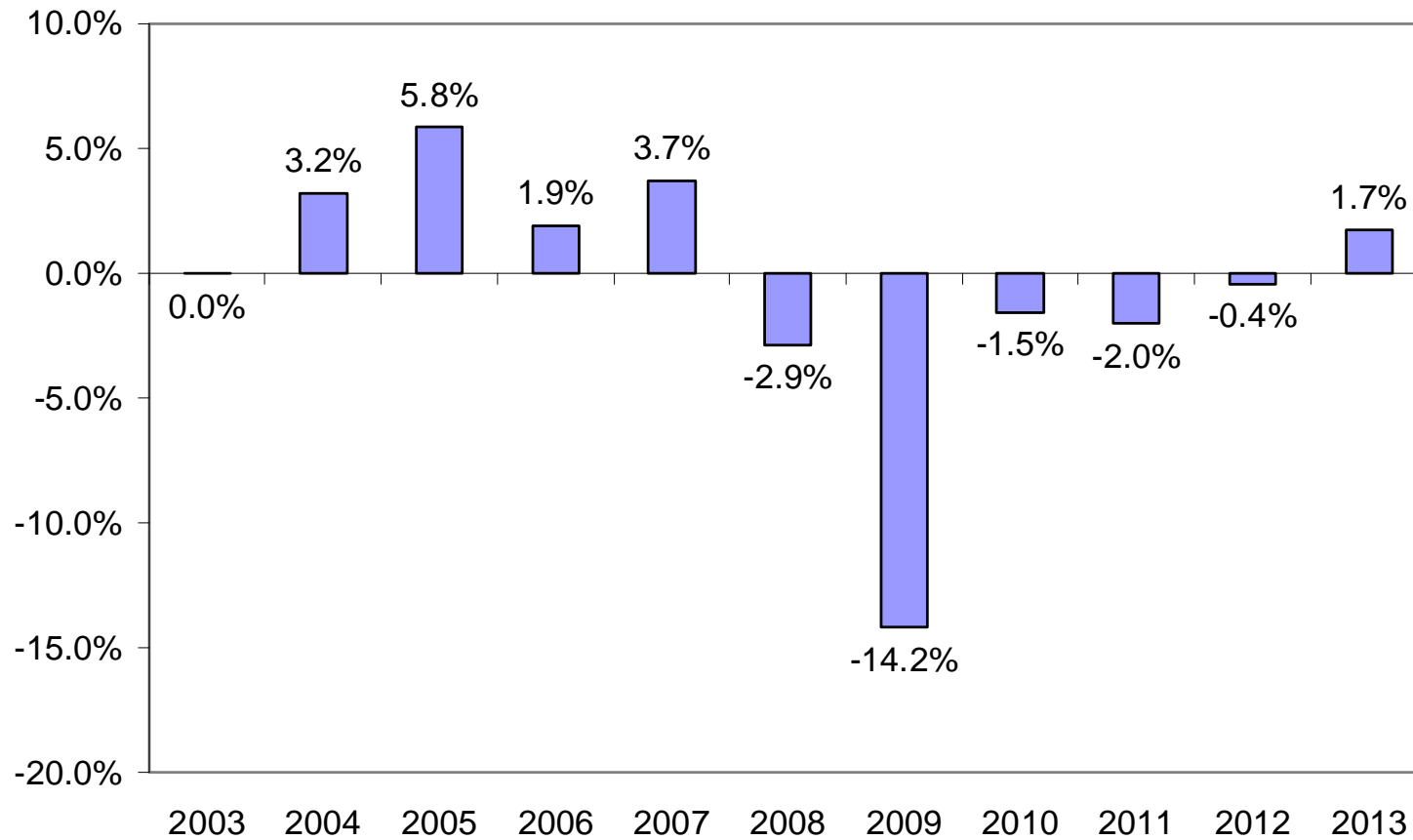
This Recession has been very hard on state revenue

New Hampshire General and Education Trust Fund Revenue



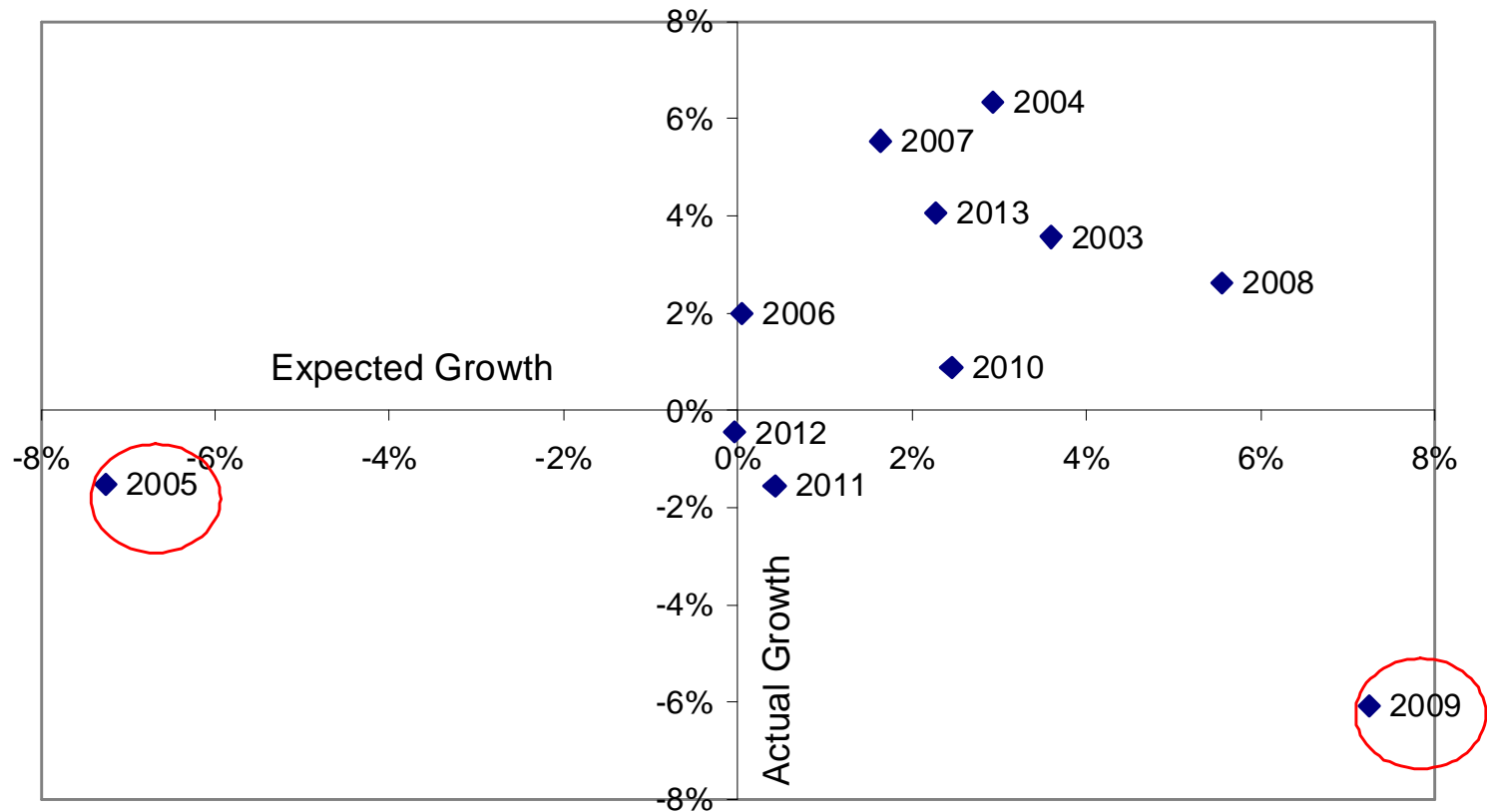
This Recession was very hard on state revenue forecasts

NH State Revenue Annual Forecast Error

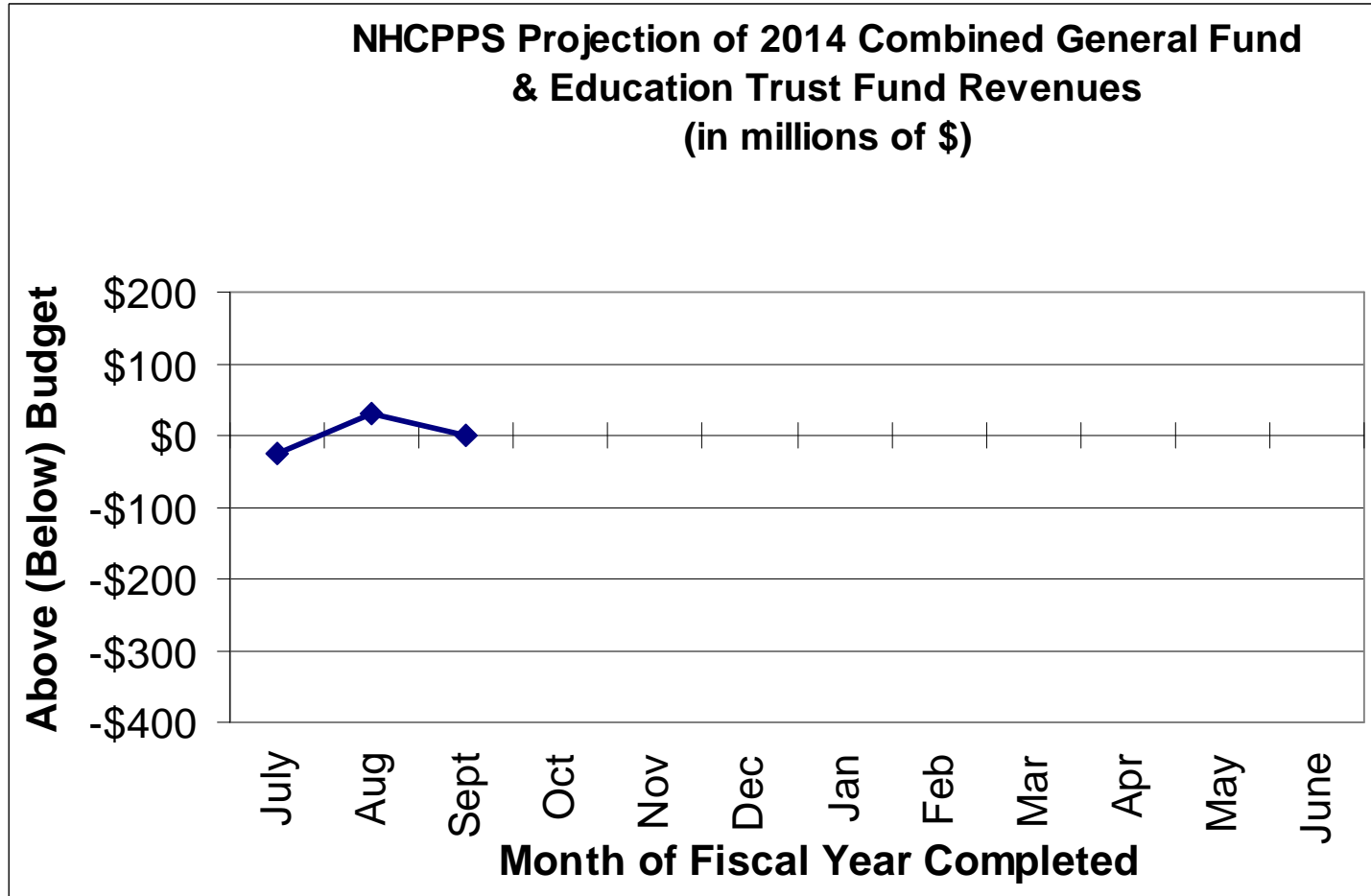


This Recession was very hard on state revenue forecasts

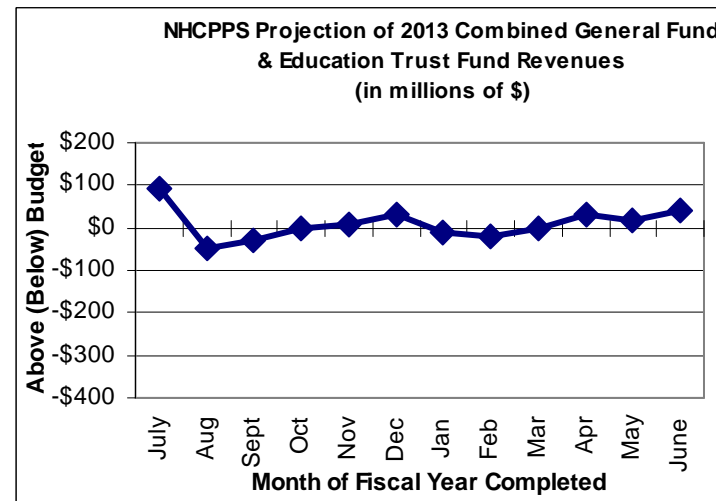
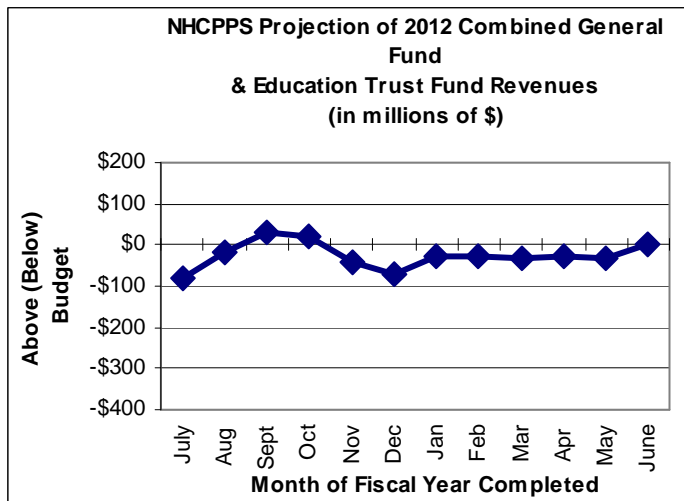
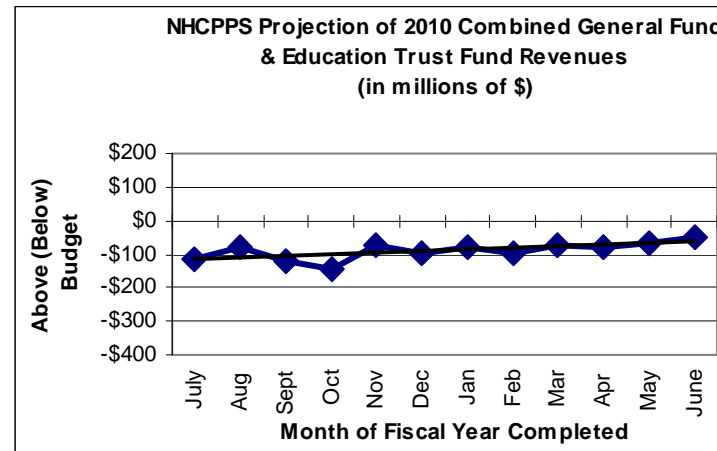
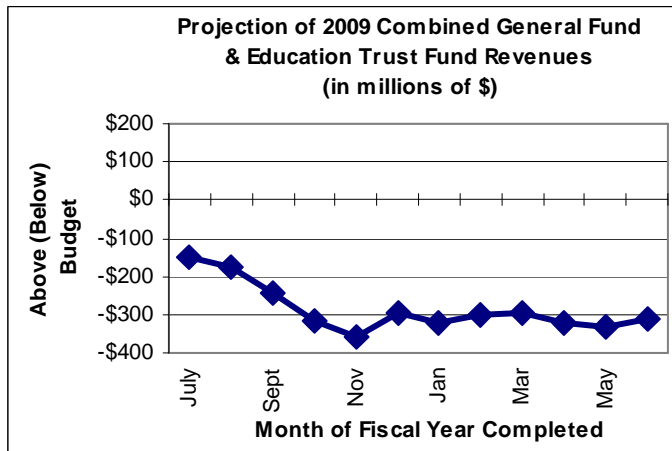
NH State Revenue Growth Rates Over Prior Year



NHCPPS Model Shows Revenues Tracking Well



NHCPPS Model Performance



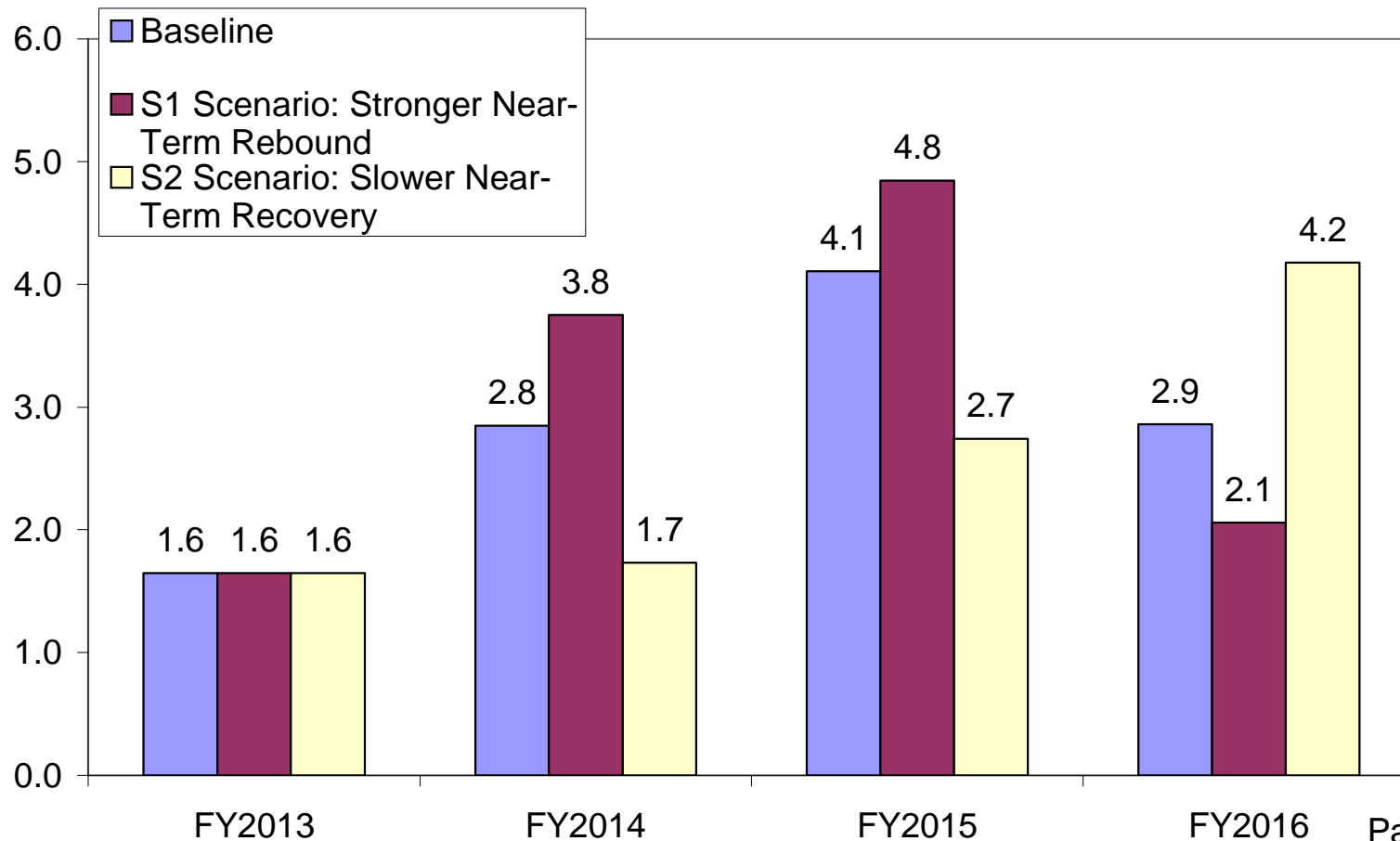
US Economy Alternative Scenarios

- **Stronger Near Term Rebound** – Jobs and housing grow more than expected (10% probability)
- **Slower Near Term** – US business confidence drops due to Washington Gridlock & Europe recession worsens (25% probability)

Source: Moody's Analytics, August 2013

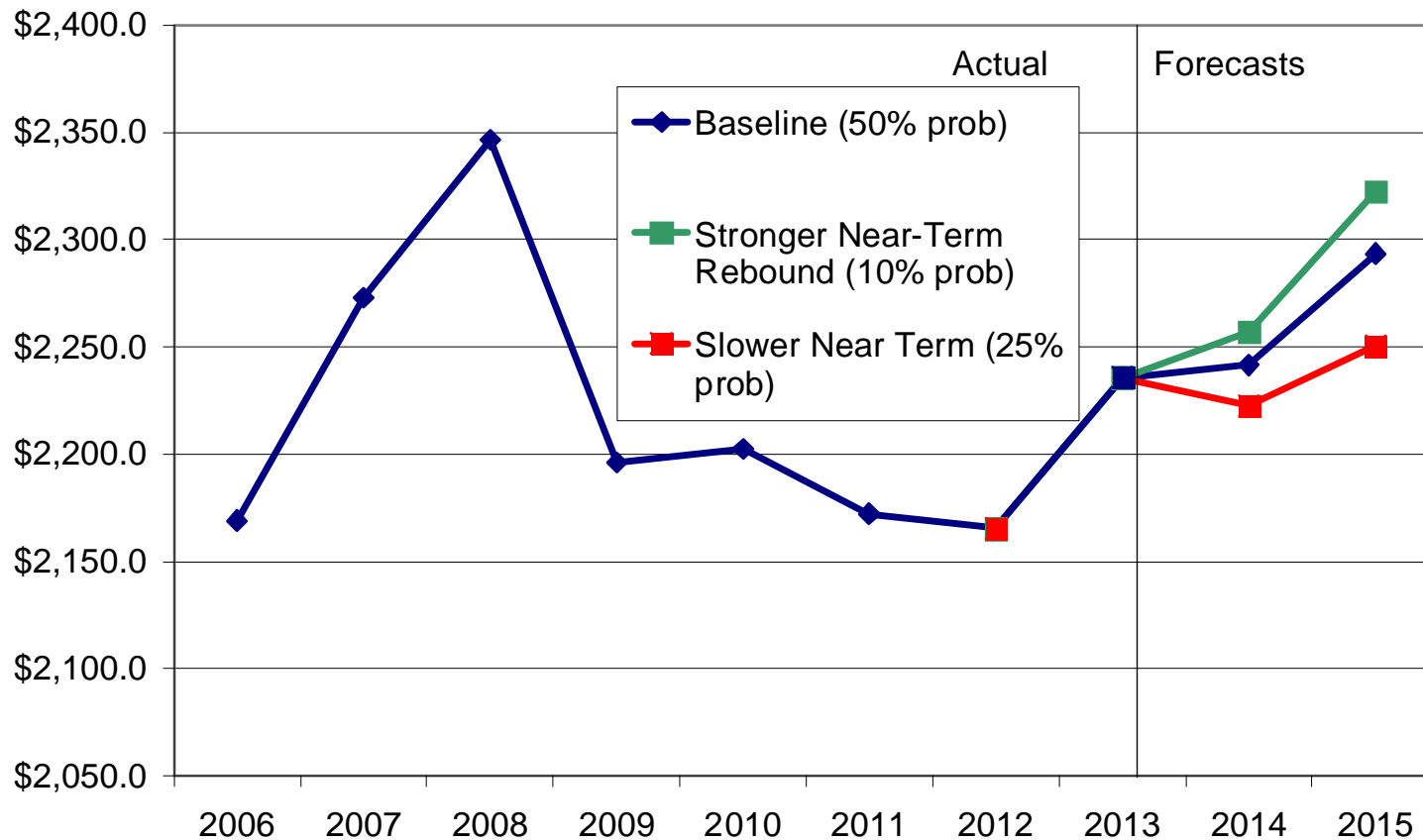
Economy.com Forecasts for US Economy

US GDP Growth by Fiscal Year (Moody's August 2013)



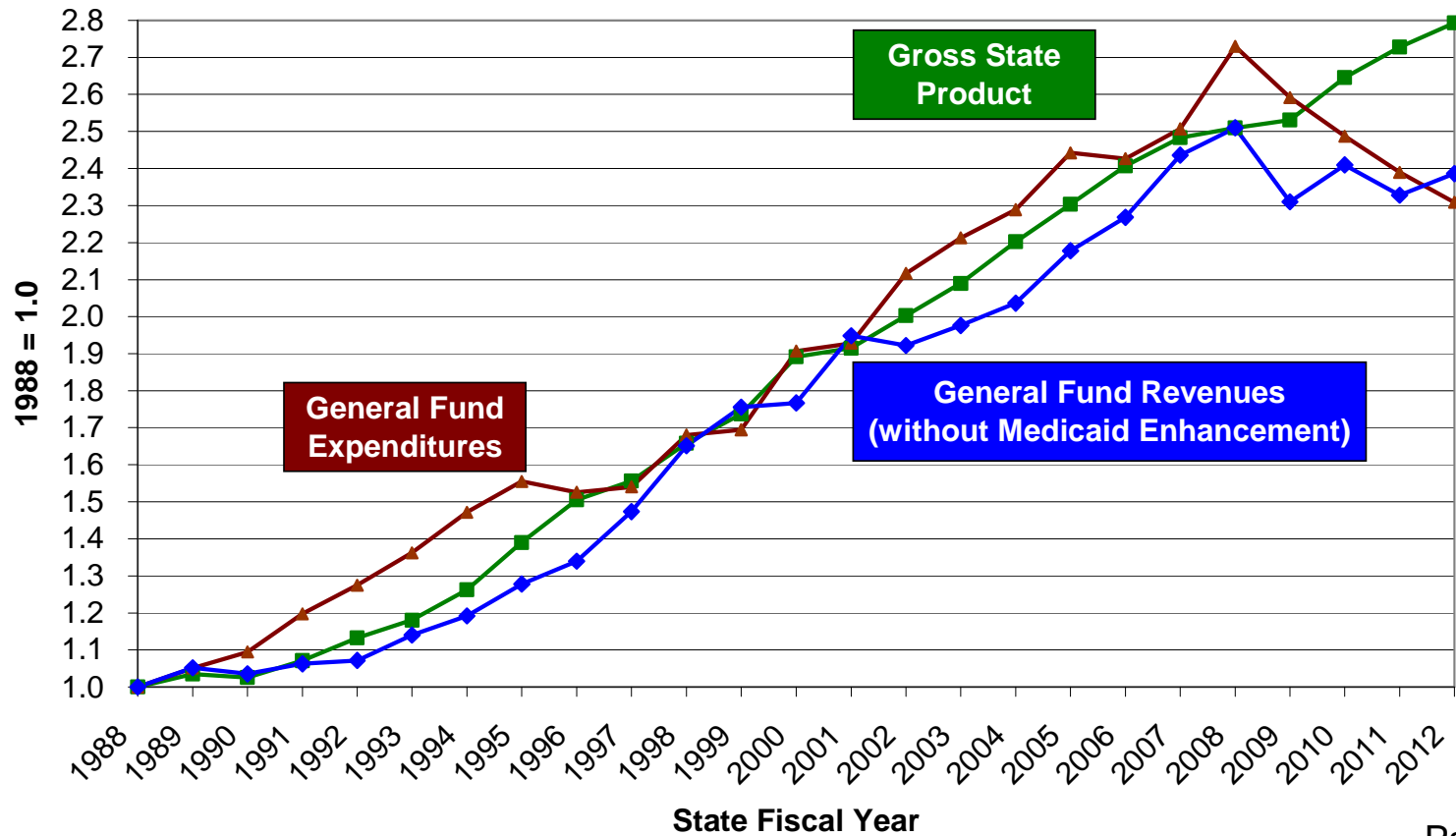
NH Revenue Forecasts in an Uncertain World

New Hampshire Unrestricted Revenue in Millions
Board and Care Revenue Removed from Actual

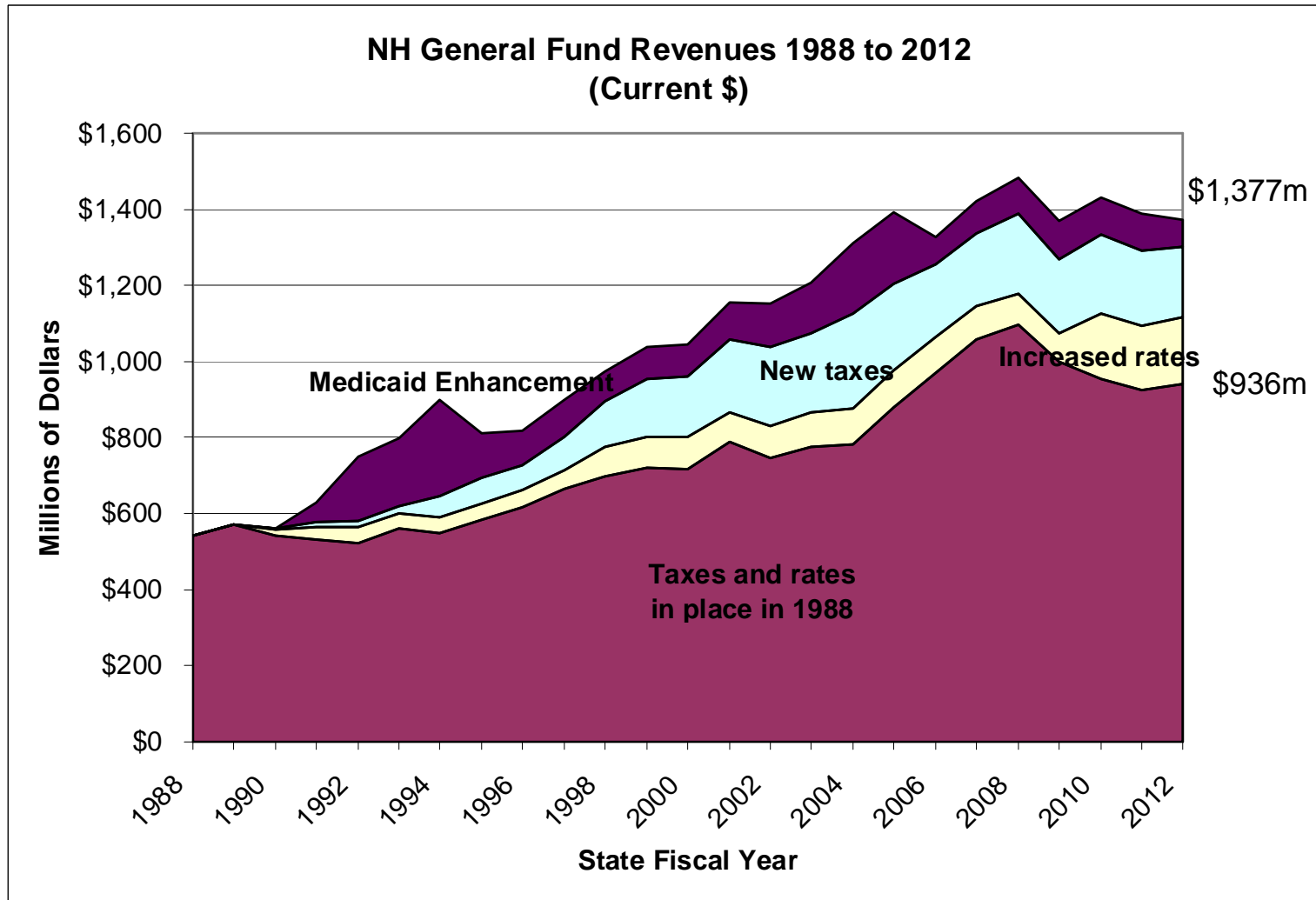


The Recession

Growth from 1988 Levels



State Revenues Grew Because of New Taxes and Non-Tax Sources





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