

New Hampshire Economic Conditions

September 2014

Real Personal Income in New Hampshire 2008 - 2012

In 2012, total real personal income for New Hampshire residents was \$57.74 billion, chained to 2008 dollars. This ranked 39th from the highest total personal income among the states and the District of Columbia. Since New Hampshire has a population which ranks 42nd from the highest, and a labor force which is 40th from the largest, it is understandable that total real personal income is significantly lower than more populous states with larger labor forces.

Per capita personal income is more comparable between states because it represents the total personal income of the state divided by the population. Real per capita personal income in New Hampshire increased

0.9 percentage points, rising from \$43,342 in 2011 to \$43,722 in 2012, ranking 15th highest among the states and District of Columbia.

The Bureau of Economic Analysis (BEA) has released a new real personal income series for states. While this data has been available nationally, the BEA has developed a method to adjust for regional price differences, as well as inflationary effects over time, to make the data available for states.

The U.S. Secretary of Commerce Penny Pritzker said, "For the first time, Americans looking to move or take a job anywhere in the country can compare inflation-adjusted incomes across states

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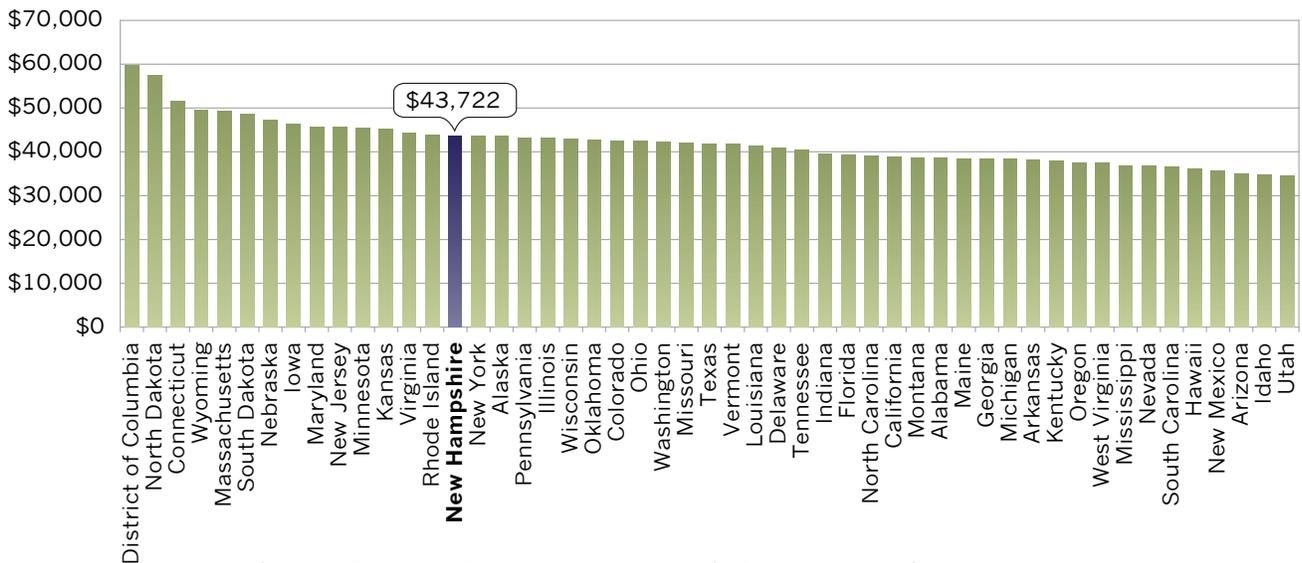
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and metropolitan areas to better understand how their personal income may be affected by a job change or move. Businesses considering relocating or establishing new plants also now have a comprehensive and

Real Per Capita Personal Income 2012 (chained 2008 dollars)



Source: Bureau of Economic Analysis, U.S. Department of Commerce

consistent measure of the differences in the cost of living and purchasing power of consumers nationwide.”¹

The BEA uses a combination of two different indexes to compile the real personal income series for states and metropolitan areas. The Personal Consumption Expenditure (PCE) price index measures changes in personal consumption as a result of price fluctuations over time. This index is used to adjust for inflation over time, and is chained to 2008 dollars in the series.²

A regional price parity index is used to measure the different prices of goods and services between states and metropolitan areas. This is a measure of the cost of living in the different areas for each year. It is expressed as a percent of the national level, which is equal to 100.0 each year. This provides a standard point of comparison for the cost of living differences between the areas. Areas that have an RPP higher than 100.0 are more expensive to live in than the nation overall, therefore, have less purchasing power for each dollar of income. On the other hand, states that have RPPs less than 100.0 are less expensive to live in than the nation overall, therefore have more purchasing power for each dollar of income.

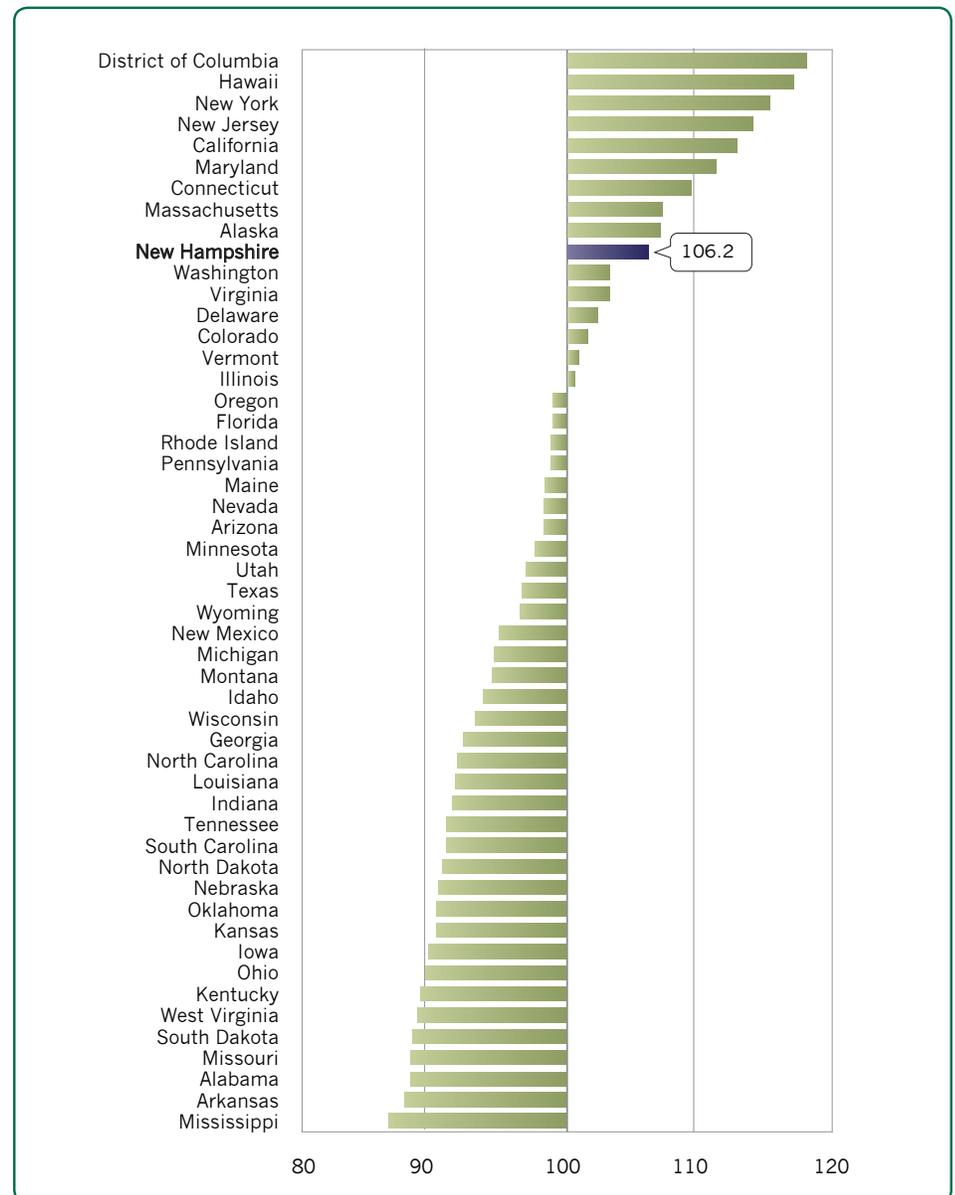
Using a combination of the RPP to adjust for the difference in purchasing power among the states, and the PCE to adjust for inflation over time,

the real personal income data series allows for a comparison of personal income across states and time. Data show that New Hampshire’s real per capita personal income increased by 4.7 percent from 2008 to 2012. This tied for the tenth largest increase in real per capita personal income over the period. North Dakota had the largest increase over the period, 23.1 percent.

Real personal income information by state makes it possible to compare income across geographies and over time. Individuals now have a tool to better evaluate job offers in different regions. Businesses can evaluate different purchasing abilities of locations for products. They can also assess the local costs when determining where to move or open a new plant or facility.

Anita Josten

Regional Price Parities Across States 2012



1. U.S. Bureau of Economic Analysis. Real Personal Income for States and Metropolitan Areas, 2008 – 2012. April 24, 2014. <www.bea.gov/newsreleases/regional/rpp/rpp_newsrelease.htm>.

2. For more information about PCE go to Bureau Economic Analysis. Chapter 5. Personal Consumption Expenditures. <www.bea.gov/national/pdf/NIPAhandbookch5.pdf>.