

New Hampshire ECONOMIC CONDITIONS

Frozen Berries (image by kirillstov on Pixabay)

Snowfall (image by Franz Baghinger on Pixabay)



Snow tubing (image by NH DITD on Flickr)

Consumer Spending Patterns During the Coronavirus Pandemic

Personal consumption expenditures (PCE), produced by the U.S. Bureau of Economic Analysis, measure the value of goods and services purchased by American consumers. Consumer spending is the largest category of domestic spending, accounting for two-thirds of all spending.^{1,2} PCE also indicate what types of goods and services consumers spend money on, and how these spending patterns change over time.

During the first year of the coronavirus pandemic, Personal Consumption Expenditures in New Hampshire fell from \$72.0 billion in 2019 to \$70.7 billion in 2020.³ This was the first decline since 2009, at the beginning of the “Great Recession.” Per capita spending fell from \$52,932 per resident in 2019 to \$51,760 in 2020, a decline of 2.2 percent. New Hampshire performed slightly better than the

U.S. overall, where per capita spending declined 3.0 percent.

Although overall consumer spending declined, per capita spending on goods increased by just over \$600, from \$15,730 in 2019 to \$16,337 in 2020. This was an increase of 3.9 percent, the largest over-the-year increase since 2004. This was primarily due to increased spending on durable goods, goods which have an average life of at least three years. From 2019 to 2020, spending on durable goods increased 7.5 percent, with spending increasing for nearly every type of durable good. Spending on nondurable goods increased by 2.0 percent, with more varied trends for different types of nondurable goods.

Spending on food and beverages purchased for off-premises consumption, which typically accounts for nearly 40 percent of spending on

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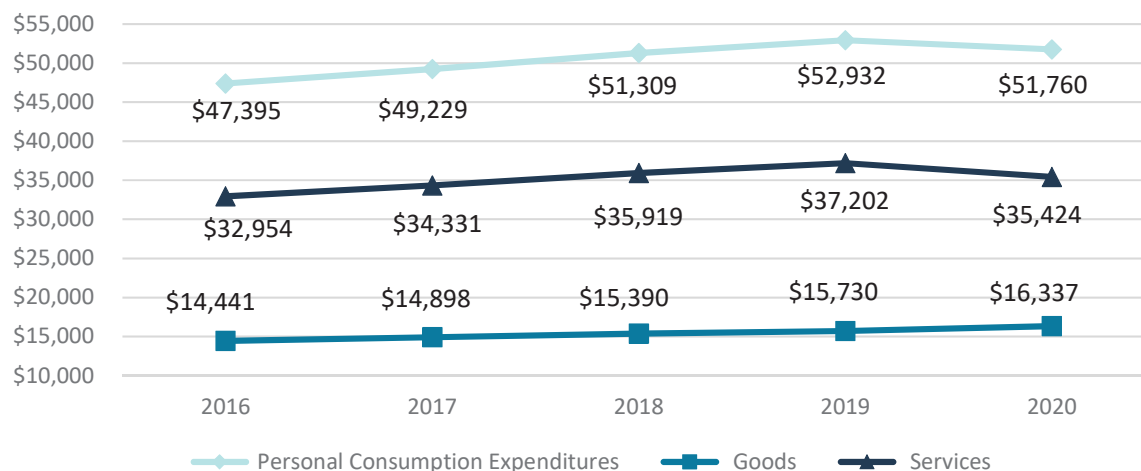
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nondurable goods, increased 11.1 percent from 2019 to 2020. Much of this increase is attributable to a shift during the pandemic from restaurant dining, which is considered a service, to at-home dining. Spending on gasoline and other energy goods decreased 26.7 percent in 2020. Energy goods have fairly volatile prices; according to the consumer price index, the average

annual price for motor fuels fell 16 percent from 2019 to 2020, contributing to the decline in energy goods spending. Spending on clothing and footwear decreased 10.5 percent, while spending on all other nondurable goods increased 6.1 percent.

Among durable goods, spending on recreational goods and vehicles increased 15.7 percent, and

Per Capita Consumer Spending in New Hampshire



Source: U.S. Bureau of Economic Analysis

1 U.S. Bureau of Economic Analysis, Concepts and Methods of the U.S. National Income and Product Accounts. <https://www.bea.gov/sites/default/files/methodologies/nipa-handbook-all-chapters.pdf#page=90>.

2 Other components of spending include business spending on capital goods, government spending on public goods and services, imports and exports.

3 Spending figures are not adjusted for inflation.

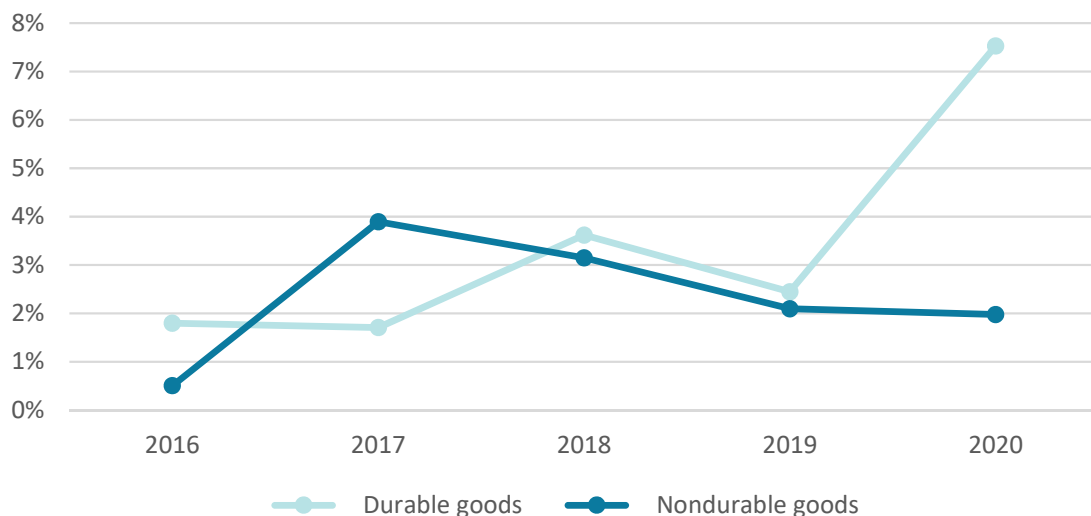
spending on furnishings and durable household equipment increased 10.3 percent. Spending on other durable goods, which include telephones and related communication equipment, therapeutic appliances and equipment, and jewelry and watches, decreased by 5.4 percent, the only type of durable goods to have spending decline in 2020.

Per capita spending on services, which generally accounts for roughly 70 percent of total consumer spending, declined 4.8 percent from 2019 to 2020. Many services that required in-person interaction, including restaurants, movie theaters, and even health care, were restricted in 2020, causing consumers to spend less on services. Not all spending on services declined in 2020. Housing prices increased in 2020, and consumer spending on housing and utilities increased 2.9 percent from 2019 to 2020. Housing and utilities typically account for one-quarter of total spending on services, and are usually the second-largest category of consumer spending, after health care services. However, in 2020, spending on housing

and utilities surpassed health care spending, which declined 6.9 percent. Per capita spending on financial services and insurance increased 1.3 percent, while consumption expenditures of nonprofit institutions serving households increased 12.2 percent.⁴

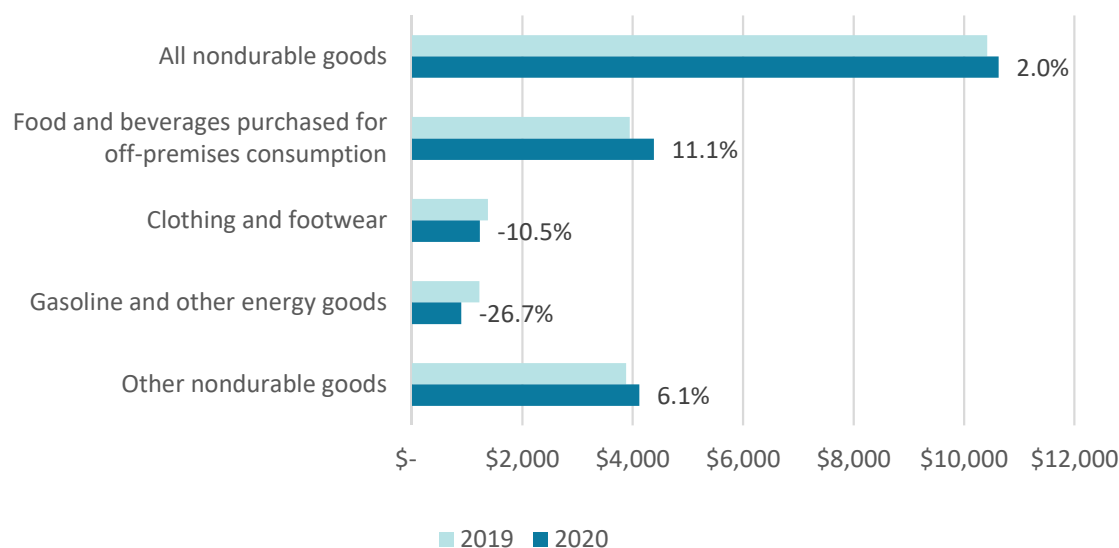
Consumer spending declined by double digits for three types of services: spending on food service and accommodations declined 16.5 percent, transportation services spending declined 18.6 percent, and spending on recreation services declined 25.5 percent.

Annual Increase in Per Capita Spending on Goods



Source: U.S. Bureau of Economic Analysis

Annual Increase in Per Capita Spending on Nondurable Goods



Source: U.S. Bureau of Economic Analysis

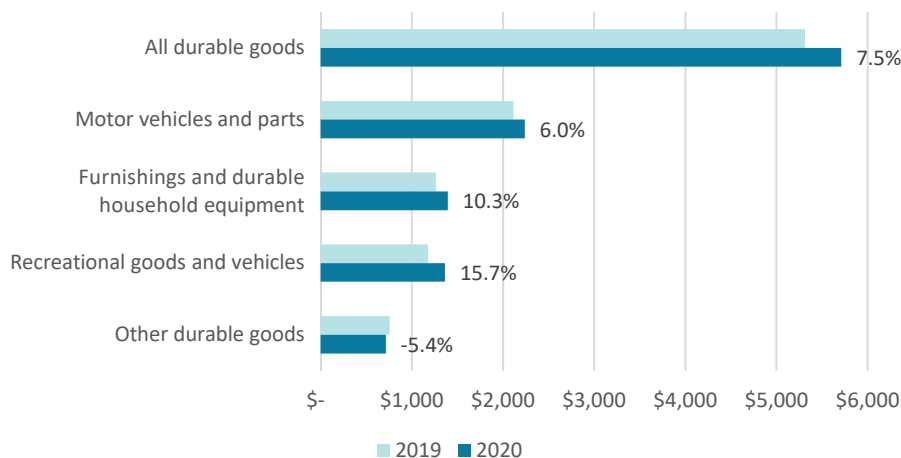
⁴ Nonprofit institutions serving households are private organizations with tax-exempt status that primarily provide services to households in one of the following categories: religious and welfare, medical care, education and research, recreation, and personal business.

Personal Income

Between February 2020 and April 2020, the number of employed New Hampshire residents declined by 140,000. This decline in employment caused earnings to decline as well. Net earnings, which measure compensation of employees and proprietors' income, decreased by \$5.1 billion from the first quarter of 2020 to the second quarter, a decline of 6.8 percent.⁵ However, while earnings fell, personal income actually increased in the second quarter of 2020, as increased government spending during the pandemic offset lower earnings.⁶ From 2020 Q1 to 2020 Q2, current transfer payments, receipts from government and business for which no services are performed, increased by \$10.3 billion.⁷ Without government transfer payments, declines in consumer spending would have likely been larger. It should be noted, however, that the increase in income is aggregate for all New Hampshire residents. For many residents, incomes were less than they had prior to the pandemic.

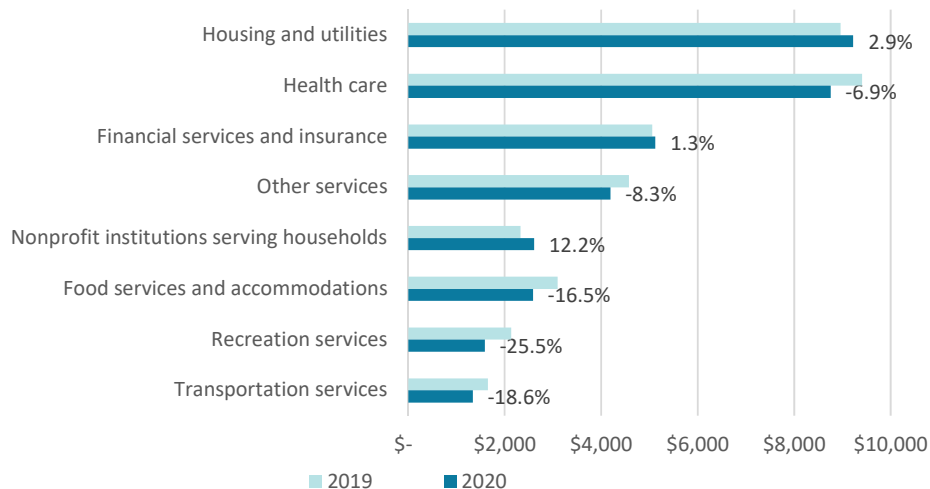
– Greg David, Economist

Annual Increase in Per Capita Spending on Durable Goods



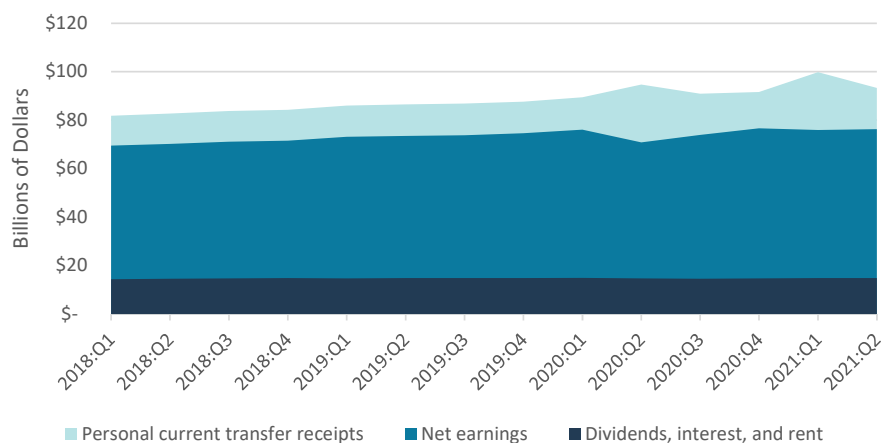
Source: U.S. Bureau of Economic Analysis

Annual Increase in Per Capita Spending on Services



Source: U.S. Bureau of Economic Analysis

Components of Personal Income



Source: U.S. Bureau of Economic Analysis

⁵ Net earnings by place of residence, which adjusts earnings for workers commuting into and out of the region, and subtracts contributions to government social insurance programs.

⁶ Personal income includes earnings, income from dividends, interest and rent, and current transfer payments.

⁷ Current transfer payments from government include Social Security benefits, medical benefits, veterans' benefits, and unemployment insurance benefits. Current transfer receipts from business include liability payments for personal injury and corporate gifts to nonprofit institutions.