

New Hampshire ECONOMIC CONDITIONS

Dartmouth College at Hanover (image by NH DTTD on flickr)

St Gaudens Nat'l Historical Park (image by NH DTTD on flickr)

Cornish Bridge (image by NH DTTD on flickr)

August 2022

New Hampshire's Manufacturing Industry Is Recovering Slowly From the Pandemic

Manufacturing is the third largest industry sector in New Hampshire, accounting for 10.2 percent of total nonfarm payroll (67,600 workers) in 2021. During the early months of the coronavirus pandemic, employment in New Hampshire's manufacturing sector did not decline as much as total nonfarm employment, declining 10.7 percent, while total nonfarm employment declined 14.4 percent. However, since employment began to recover in May 2020, manufacturing employment has increased at a slower rate than nonfarm employment. While nonfarm employment in New Hampshire was 1.2 percent below pre-pandemic levels in June 2022, manufacturing employment was 2.0 percent below pre-pandemic levels (estimates are seasonally adjusted). Between September 2020 and June 2021, while nonfarm employment increased 2.5 percent (approximately

16,200 jobs), manufacturing employment plateaued, adding just 100 jobs (0.1 percent). Since June 2021, manufacturing employment increased by 2,100 jobs (3.0 percent of pre-pandemic employment), including 800 jobs in May and June 2022. However, manufacturing employment remained 1,400 jobs below pre-pandemic levels.

Manufacturing employment in New England and the U.S. followed a similar trend to New Hampshire during the early months of the pandemic, declining by a smaller percentage than total nonfarm employment. Unlike in New Hampshire, manufacturing employment in New England and the U.S. has kept pace with overall employment increases since the recovery started in May 2020. In June 2022, nonfarm employment in

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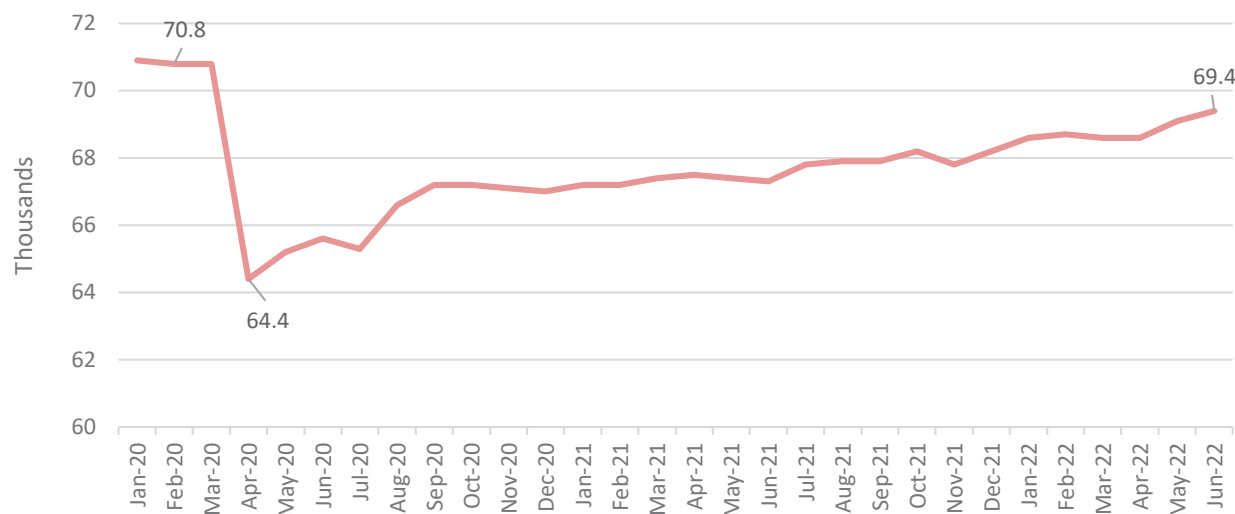
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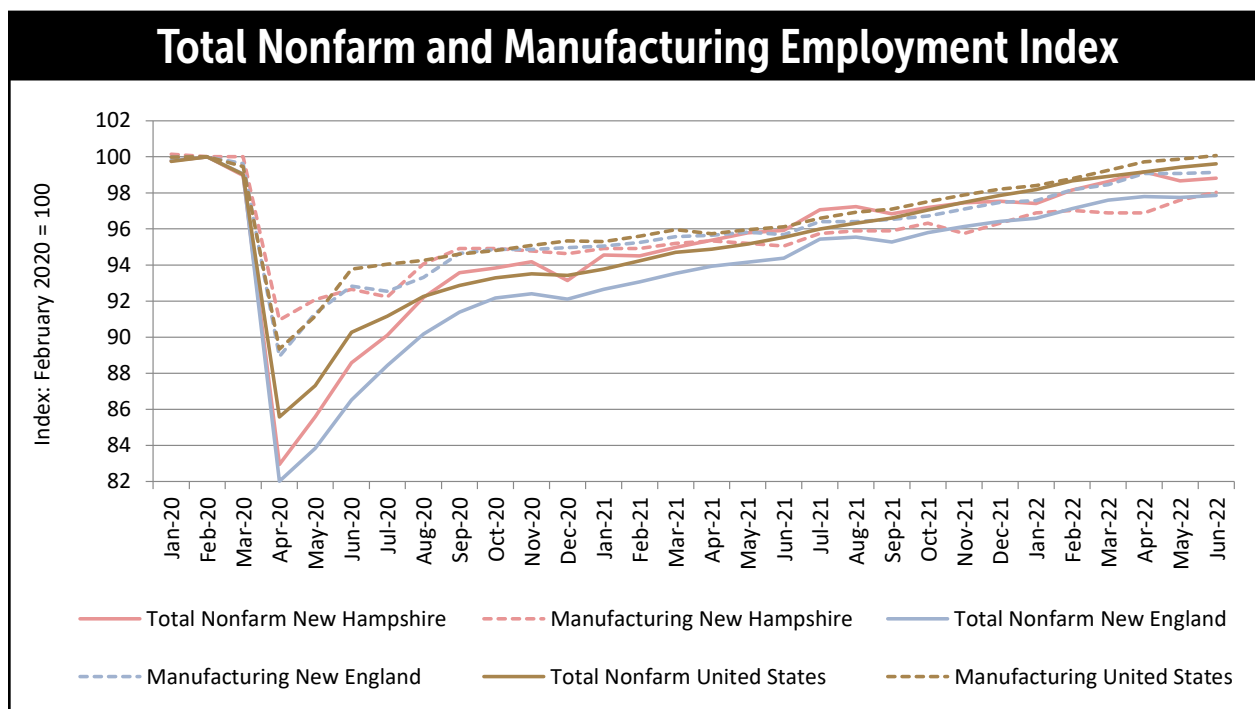
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New England was 2.1 percent below February 2020 employment levels, and manufacturing employment was 0.9 percent below February 2020 employment levels. Nationwide, nonfarm employment was 0.4 percent below February 2020 employment while manufacturing employment exceeded February 2020 employment levels by 0.1 percent.

Manufacturing Employment



Source: New Hampshire Employment Security, Current Employment Statistics



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics

Hours and Wages for Manufacturing Workers

Although many businesses in New Hampshire have struggled to hire over the past year, labor supply does not appear to be the primary reason for below average employment growth in the manufacturing sector. In June 2019, manufacturing employees worked an average of 41.6 hours per week.

Manufacturing workers employed in production occupations — workers who create the goods sold by manufacturers — worked longer hours, averaging 42.5 hours per week.¹ Hours worked per week have fallen since the pandemic began, but the decline accelerated in the second half of 2021, particularly for production workers. Between June 2019 and June 2022, average hours worked per week declined 2.4 percent (1.0 hour) for all manufacturing workers. For production workers, hours declined 12.0 percent (5.1 hours), suggesting that non-production workers have not experienced the same reduction in hours that production workers have. This difference is likely partially explained by salary structures; production workers are generally paid an hourly rate, while workers in “white collar” occupations are more likely to be paid an annual salary, regardless of hours worked. Supply chain issues have likely contributed to reduced hours and slow manufacturing employment growth, as manufacturers struggle to obtain the materials needed to operate factories at optimal capacity.

From June 2019 to June 2022, average hourly wages for production workers increased 9.6 percent, but wages for all manufacturing workers increased 15.8 percent, suggesting that non-production workers received disproportionately larger wage increases. Average weekly wages for all manufacturing workers increased 13.0 percent but for

production workers, increased hourly wages were not enough to offset the decline in hours worked. Average weekly wages in June 2022 were 3.5 percent than average weekly wages in May 2019.

Increasing Prices for Manufactured Goods

Fewer workers working fewer hours per week suggests that New Hampshire’s manufacturing industry output has not reached pre-pandemic levels. Although manufacturing output, as measured by Gross Domestic Product (GDP), has surpassed pre-pandemic levels, increasing prices, rather than the amount of goods produced, seems to be the reason for GDP growth.

The U.S. Bureau of Labor Statistics’ Producer Price Index (PPI), which measures the average change over time in prices received by domestic producers of goods and services, shows how much the prices of domestic manufactured goods have increased since the beginning of 2021. In June 2022, the PPI had increased 11.3 percent over the previous twelve months, and 16.5 percent since January 2021. The indices for goods, and for the manufacturing industry (a subset of goods), exceeded overall PPI increases. Since January 2021, the PPI for goods increased 26.9 percent, while the index for manufacturing goods increased 31.7 percent.

Several factors contributed to the increase in prices for manufactured goods. Supply chain issues, which have been widespread since the pandemic began, resulted in long delays, limited quantities and higher prices for some

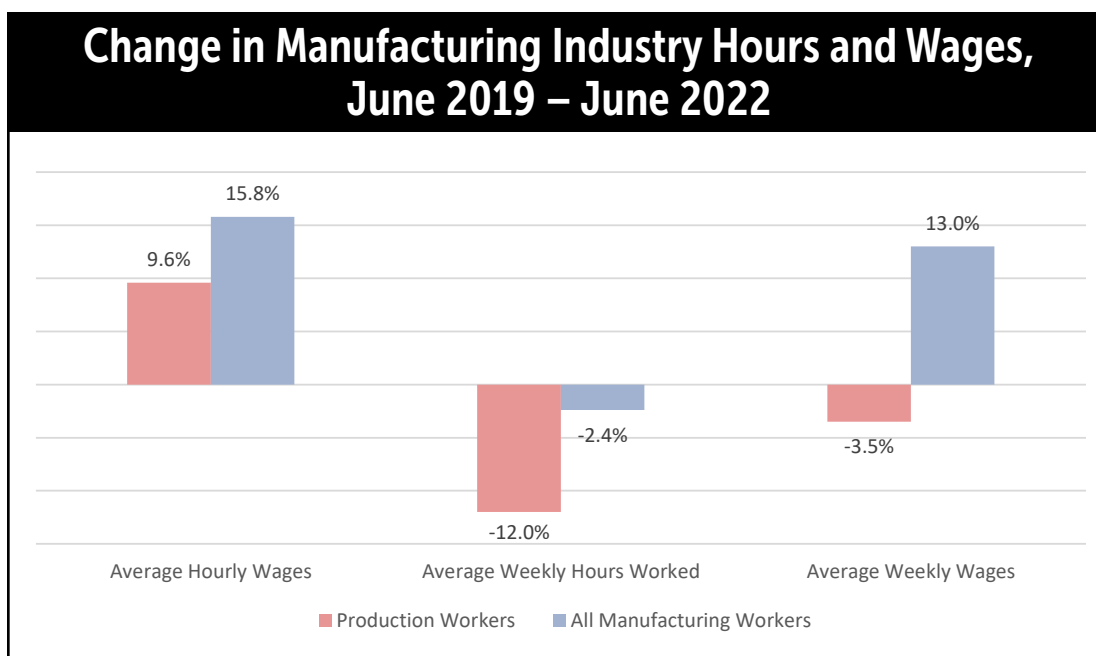
¹ Production workers account for approximately half of the manufacturing workforce.

components and raw materials, slowing production and raising costs for many U.S. manufacturers. Increased fuel prices have also increased transportation costs for shipping raw materials and finished products.

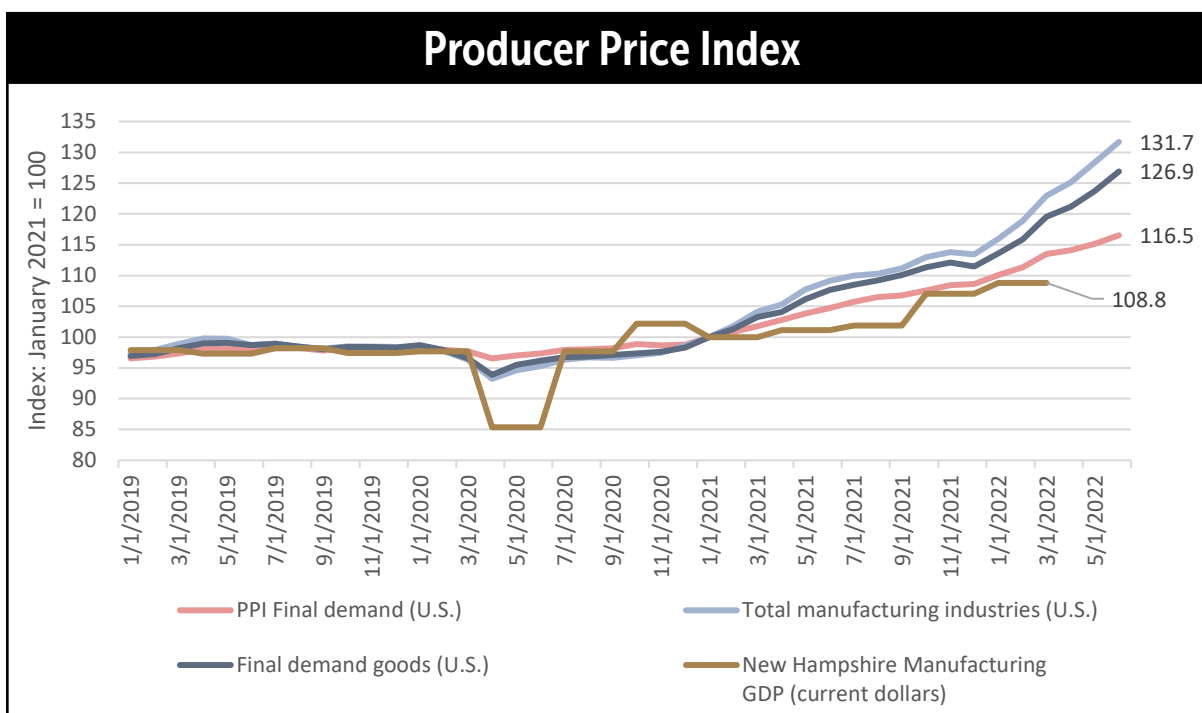
In addition to supply side issues, spending habits for U.S. consumers shifted during the pandemic, with demand for goods increasing and demand for services falling. Low

supply and high demand both put upward pressure on prices, and corporate profits estimates from the U.S. Bureau of Economic Analysis indicate that manufacturers raised prices in response to these market forces. Corporate profits for U.S. manufacturers, which averaged \$356 billion per quarter in 2019, reached \$601 billion in the first quarter of 2022.

- Greg David, Economist



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics



Source: U.S. Bureau of Labor Statistics, Producer Price Index, U.S. Bureau of Economic Analysis, Gross Domestic Product