ECONOMIC CONDITIONS in New Hampshire

January 2004
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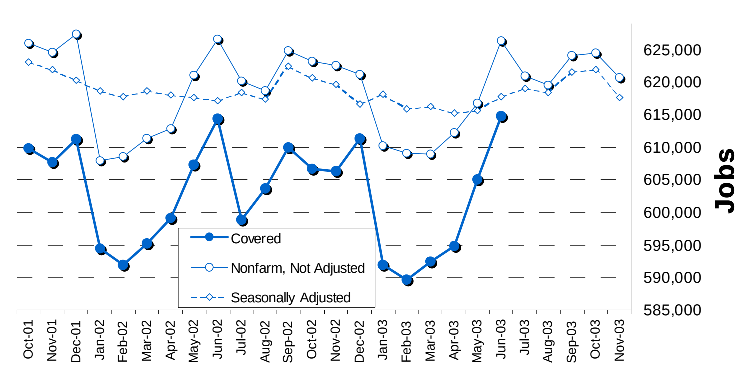
Recovery hampered by continued job losses, primarily Manufacturing

Some economists have labeled the most recent national recovery as a jobless recovery. The state has resembled the nation in the respect that job numbers have been slow in improving. Is this because companies are just not hiring or is it a result of structural change within the economy? Maybe both. Many of the companies adversely affected by the economy actually closed their doors or totally moved their shops out of state. New employment has to be found in different industries. This type of realignment could be a strong explanation why the employment levels in the nation and state have not really increased but have shifted from one sector to another. Employment growth was also hampered by the rapid drop in Manufacturing employment, and the inability of the other sectors to absorb the excess employment. There is a higher level of caution among businesses so it will take more time to create new jobs than it typically did in prior recessions to rehire within the recovering companies.

The recent national recession has some similarities to that of the 1991-92 recession. The course of recovery in both of these recessions saw increased productivity levels with a delay in adding employment to the payroll. The 1991-92 recession had relatively slow job market increases for an additional 18 months into the recovery. That led the way for the strongest employment growth and the longest lasting period of expansion since the post-war period. Prior recoveries also had a lag in the rebuilding of the job market, but typically that lag time didn't extend beyond one quarter. The major difference with the recent recession is that there continue to be job losses into the recovery period. So how can we expect our state to respond to the current conditions?

Nonfarm employment struggled to reach the seasonal high of the June level. Eight of the first ten months seasonally adjusted total nonfarm figures in 2003 were below those of the same months in 2002. Even with that the year-to-date average was down only 0.1 percent from 2002.

Total Employment



New England's wavering consumer confidence levels exhibited an increase four months

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Employing units increased by 148 from 2nd quarter 2002 to 2nd quarter 2003

The main question is *still* – has employment started to pick up in the aftermath of the recession of 2001? Not really, but the decline in total covered employment in the Granite State has started to slow down. There was a minor drop of 0.5 percent from second quarter 2002 to second quarter 2003 and this was a small improvement over the 0.6 percent decline from first quarter over-the-year comparisons.

Even though total employment was down 2,741 jobs from second quarter 2002 to second quarter 2003, the number of employing units increased by 148. In comparison, 300 units were lost from second quarter 2001 to second quarter 2002. The different units or work-sites a company control/owns in the state are counted separately. In other words the different locations a fast food or retail chain or franchisee controls/owns each counts as an individual unit. The increase in the number of units can therefore be caused by either new businesses being established or by existing businesses expanding and opening new operating sites.
An increase in employing units could be a sign of increased confidence that the economy is improving therefore expanding business. In this case, however, the industries with large employment losses, such as Manufacturing, Retail trade, and Information, decreased in number of employing units with -73, -83, and -43, respectively.

The sector with the largest increase in employing units is Construction with an increase of 160 units and an employment increase of 577 jobs. *Specialty trade contractors* was the subsector increasing the most with 112 units, however, the employment only increased by 46 jobs. Another subsector under Construction, *Construction of buildings*, increased by only 36 units but added 292 jobs. The Finance and insurance sector increased by 78 units. This increase was mainly based on the subsector *Credit intermediation and related services*, which added 58 units and 425 new jobs. Unit and employment increases in Construction and Finance and insurance was due to a thriving housing market and historic low interest rates, encouraging new construction and encouraging home owners to refinance and/or remodel. Other subsectors gaining from a robust housing market and from homeowners' option to refinance were *Real estate* and *Furniture and home furnishing stores* adding about half a dozen units each and 232 and 426 jobs, respectively.

Other subsectors with large increases in employing units from second quarter 2002 to second quarter 2003 are *Food services and drinking places*

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Employment and Wages 2nd Qtr. 2002 to 2nd Qtr. 2003

	2nd Quarter 2003		2nd Quarter 2002		Net Change	
Industry	Units	Average Employment	Units	Average Employment	Units	Average Employment
Total, Private plus Government	42,487	604,775	42,339	607,516	148	-2,741
Total Private	40,672	518,854	40,523	523,607	149	-4,753
Agriculture, Forestry, Fishing and Hunting	286	1,988	286	2,084	0	-96
Mining	55	502	51	487	4	15
Utilities	106	2,849	106	2,993	0	-144
Construction	4,290	29,035	4,130	28,458	160	577
Manufacturing	2,316	80,641	2,389	85,777	-73	-5,136
Wholesale Trade	4,657	26,643	4,598	26,879	59	-236
Retail Trade	6,185	94,739	6,268	95,095	-83	-356
Transportation and Warehousing	888	12,859	891	12,892	-3	-33
Information	753	12,169	796	12,961	-43	-792
Finance and Insurance	1,876	27,580	1,798	26,997	78	583
Real Estate and Rental and Leasing	1,424	7,799	1,432	7,661	-8	138
Professional and Technical Services	4,421	24,588	4,421	25,194	0	-606
Management of Companies and Enterprises	243	6,410	237	6,368	6	42
Administrative and Waste Services	2,223	23,480	2,222	22,948	1	532
Educational Services	487	15,941	470	15,666	17	275
Health Care and Social Assistance	3,231	71,184	3,198	69,720	33	1,464
Arts, Entertainment, and Recreation	632	11,305	597	11,030	35	275
Accommodation and Food Services	3,021	49,725	2,932	50,127	89	-402
Other Services Except Public Admin	3,432	19,079	3,448	19,419	-16	-340
Total Government	1,815	85,921	1,816	83,908	-1	2,013

Continued from page 2

(89 units), *Electronic Markets and Agents and brokers* (73 units) and *Gambling, recreation, amusement industries* (39 units). Among these subsectors with large increases in employing units, only *Food services and drinking places* lost jobs (-30 jobs).

Hospitals and *Social Assistance* were the two subsectors gaining the most jobs from second quarter 2002 to second quarter 2003 with 644 and 531 jobs, respectively. In third place was *Gambling, recreation, amusement industries* gaining 490 jobs. It is interesting that *Administrative and support services*, while losing eight units, still was able to rank fourth in most jobs added with 478 additional jobs.

Manufacturing lost 5,136 jobs from second quarter 2002 to second quarter 2003, the largest loss of any sector. Close to two thirds of lost jobs in Manufacturing were in *Computer and electronic product manufacturing* (-1,893 jobs) and *Electrical equipment and appliances manufacturing* (-904 jobs). About another thousand were lost between *Fabricated metal products* (-579 jobs) and *Machinery manufacturing* (-557 jobs). Although *Computer and electronic product manufacturing* and *Electrical equipment and appliances manufacturing* had huge job losses, these two subsectors combined only lost one unit, whereas *Fabricated metal products* and *Machinery manufacturing* declined by 21 and 9 units, respectively.

Annette Nielsen

Claims Activity

Unemployment Compensation Claims Activity

Total Regular Unemployment Compensation Programs:				Change from Previous			
				Month		Year	
	Nov-03	Oct-03	Nov-02	Net	Percent	Net	Percent
Initial Claims	4,196	4,184	4,584	12	0.3%	-388	-8.5%
Continued Weeks	29,242	29,113	33,917	129	0.4%	-4,675	-13.8%

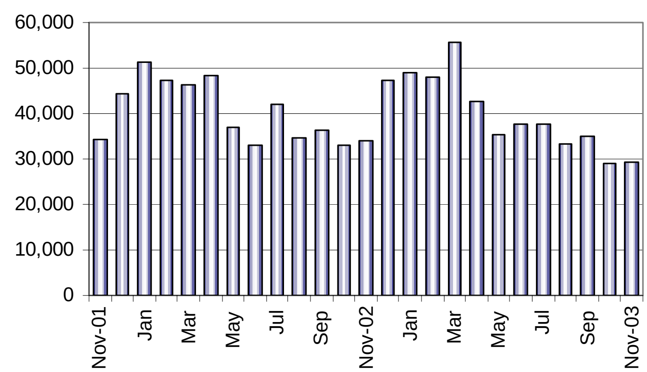
Trust Fund

Unemployment Compensation Fund

Unemployment compensation fund balance at the end of November	$234,378,689.93
Average payment for a week of total unemployment:	$257.16
Net benefits paid:	$9,369,305.02
Net contributions received during the month:	$3,551,797.20
Interest Received:	$0.00
Reed Act Distribution:	$0.00
Reed Act Withdrawal for Administrative Costs:	$130,000.00

Continued Weeks Claimed

Nov. 2001 - Nov. 2003



Continued weeks claimed in November 2003 were down nearly 14 percent from the previous year.

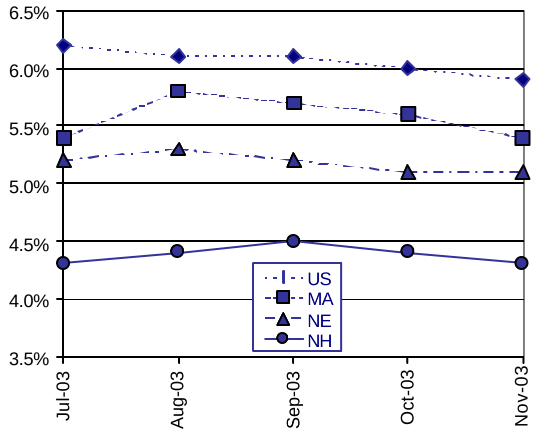
Consumer Price Index

United States
All Urban Areas (CPI-U)
(1982-1984=100)

			Change from Previous	
Nov-03	Oct-03	Nov-02	Month	Year
184.5	185	181.3	-0.3%	1.8%

N.H. and U.S. Seasonally Adjusted Unemployment Rates

In November 2003, New Hampshire was the only state in New England to show both an over-the-month and over-the-year decrease in its unemployment rate.



Unemployment Rates by Region

	preliminary Nov-03	revised Oct-03	Nov-02
United States	5.9%	6.0%	5.9%
Northeast	5.5%	5.7%	5.8%
New England	5.1%	5.1%	5.0%
Connecticut	5.0%	4.9%	4.6%
Maine	4.9%	5.1%	4.7%
Massachusetts	5.4%	5.6%	5.4%
New Hampshire	4.3%	4.4%	5.0%
Rhode Island	4.9%	4.4%	5.4%
Vermont	4.0%	4.0%	3.7%
Mid Atlantic	5.7%	5.9%	6.1%
New Jersey	5.5%	5.7%	6.0%
New York	6.1%	6.2%	6.3%
Pennsylvania	5.2%	5.4%	5.9%

Seasonally Adjusted Labor Force Estimates

By Place of Residence

	Jul-03	Aug-03	Sep-03	revised Oct-03	preliminary Nov-03
New Hampshire					
Unemployment Rate	4.3%	4.4%	4.5%	4.4%	4.3%
Civilian Labor Force	719,090	718,190	720,370	719,650	717,840
Number Employed	688,090	686,380	688,200	688,240	686,920
Number Unemployed	31,000	31,810	32,170	31,410	30,920
United States (in thousands)					
Unemployment Rate	6.2%	6.1%	6.1%	6.0%	5.9%
Civilian Labor Force	146,540	146,530	146,545	146,793	147,277
Number Employed	137,478	137,625	137,573	138,014	138,603
Number Unemployed	9,062	8,905	8,973	8,779	8,674

Seasonally Adjusted Nonfarm Employment

By Place of Establishment

Supersector	Jul-03	Aug-03	Sep-03	revised Oct-03	preliminary Nov-03
Total Nonfarm	619,000	618,400	621,600	619,200	617,600
Construction	26,800	26,900	26,500	26,200	25,800
Manufacturing	82,700	82,400	82,000	81,700	81,400
Trade, Transportation, and Utilities	138,000	138,300	140,000	139,900	139,000
Leisure and Hospitality	64,600	64,200	63,400	62,300	62,200
Government	89,100	89,700	92,600	90,900	90,100

Labor Force Estimates

New Hampshire	Nov-03	Oct-03	Nov-02
Number of workers	preliminary	revised	
Total Civilian Labor Force	719,560	715,830	710,760
Employed	688,130	687,100	675,840
Unemployed	31,430	28,730	34,920
Unemployment Rate (percent of labor force)	4.4%	4.0%	4.5%

Unemployment Rates by Area

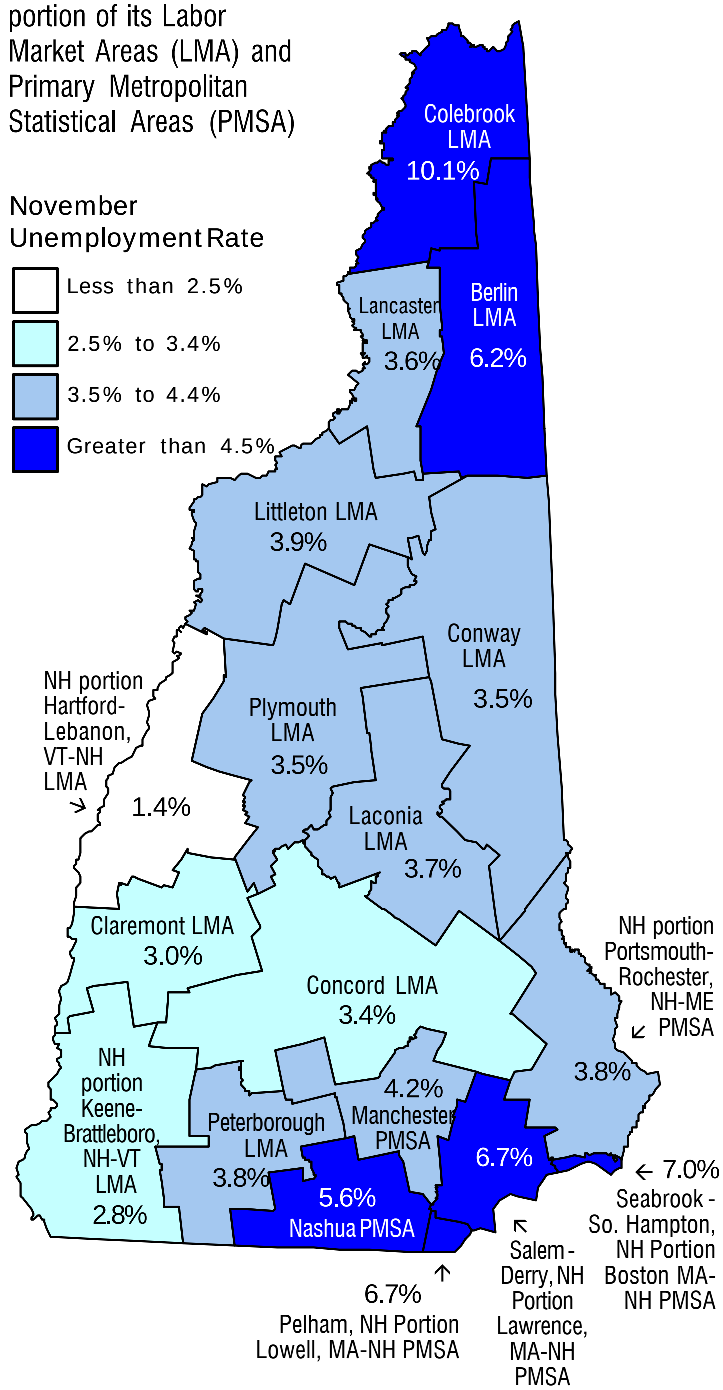
	preliminary Nov-03	revised Oct-03	Nov-02
U.S and Regional States			
United States	5.6%	5.6%	5.6%
Northeast	5.3%	5.4%	5.6%
New England	4.8%	4.8%	4.7%
Connecticut	4.5%	4.5%	4.2%
Maine	4.9%	4.7%	4.6%
Massachusetts	5.1%	5.3%	5.1%
New Hampshire	4.4%	4.0%	4.9%
Rhode Island	4.4%	4.2%	4.8%
Vermont	3.8%	3.3%	3.6%
Mid Atlantic	5.6%	5.6%	5.9%
New Jersey	5.4%	5.5%	5.8%
New York	6.1%	6.1%	6.2%
Pennsylvania	5.0%	5.0%	5.6%
Labor Market Areas			
Berlin LMA	6.2%	3.5%	8.2%
Seabrook-South Hampton NH Portion Boston MA-NH PMSA	7.0%	6.9%	8.1%
Claremont LMA	3.0%	2.7%	2.7%
Colebrook LMA	10.1%	4.6%	6.8%
Concord LMA	3.4%	3.1%	3.4%
Conway LMA	3.5%	2.8%	3.8%
NH Portion Hartford-Lebanon, VT-NH LMA	1.4%	1.4%	1.4%
NH Portion Keene-Brattleboro, NH-VT LMA	2.8%	2.6%	3.2%
Laconia LMA	3.7%	3.2%	3.6%
Lancaster LMA	3.6%	2.8%	5.0%
Salem-Derry, NH Portion Lawrence, MA-NH PMSA	6.7%	6.2%	7.8%
Littleton LMA	3.9%	2.1%	3.8%
Pelham, NH Portion Lowell, MA-NH PMSA	6.7%	6.7%	8.6%
Manchester PMSA	4.2%	4.0%	4.8%
Nashua PMSA	5.6%	5.4%	6.4%
Peterborough LMA	3.8%	3.6%	4.2%
Plymouth LMA	3.5%	2.5%	3.4%
NH Portion Portsmouth-Rochester, NH-ME PMSA	3.8%	3.6%	4.6%
Counties			
Belknap	3.7%	3.2%	3.7%
Carroll	3.4%	2.6%	3.6%
Cheshire	3.0%	2.8%	3.3%
Coos	6.0%	3.4%	6.9%
Grafton	2.5%	1.9%	2.4%
Hillsborough	4.9%	4.7%	5.6%
Merrimack	3.4%	2.9%	3.2%
Rockingham	5.4%	5.1%	6.3%
Strafford	3.9%	3.7%	4.9%
Sullivan	2.9%	2.7%	2.8%

Local Area Unemployment Statistics (LAUS)

Not Seasonally Adjusted

By Place of Residence

Unemployment rates in the New Hampshire portion of its Labor Market Areas (LMA) and Primary Metropolitan Statistical Areas (PMSA)



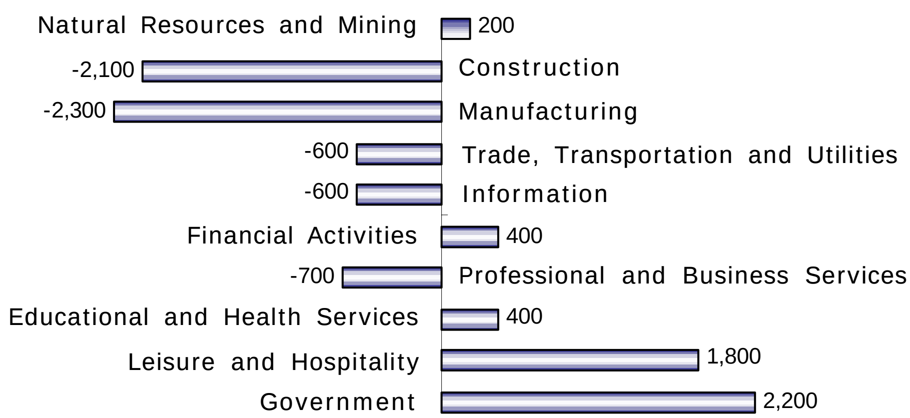
Despite employment gains in many industry sectors, the large seasonal declines in Leisure and hospitality and Construction employment brought the state's total down by 1,000 over-the-month.

Monthly Not Seasonally Adjusted New Hampshire Nonfarm Wage and Salary Employment

Current Employment Statistics Employment by Sector by place of establishment	Number of Jobs Nov-03 (preliminary)	Oct-03 (revised)	Nov-02	Change from previous: Month	Year
Total All Sectors	620,700	621,700	622,600	-1,000	-1,900
Private Employment Total	527,600	528,700	531,700	-1,100	-4,100
Natural Resources & Mining	1,100	1,100	900	0	200
Construction	26,100	26,900	28,200	-800	-2,100
Manufacturing	81,400	81,400	83,700	0	-2,300
Durable Goods	60,300	60,200	62,300	100	-2,000
Non-Durable Goods	21,100	21,200	21,400	-100	-300
Trade, Transportation and Utilities	142,200	140,500	142,800	1,700	-600
Wholesale Trade	26,100	26,000	26,600	100	-500
Retail Trade	99,100	97,300	99,800	1,800	-700
Transportation and Utilities	17,000	17,200	16,400	-200	600
Information	12,100	12,100	12,700	0	-600
Financial Activities	37,200	37,000	36,800	200	400
Professional and Business	52,700	52,800	53,400	-100	-700
Educational and Health	94,300	93,500	93,900	800	400
Leisure and Hospitality	59,300	62,300	57,500	-3,000	1,800
Other Services	21,200	21,100	21,800	100	-600
Government Total	93,100	93,000	90,900	100	2,200

Change in Nonfarm Employment

Nov 02 to Nov 03



Monthly Analysis of Current Employment Statistics (CES) Data

For further analysis please read the *Detailed Monthly Analysis of Industry Employment Data* on our Web site at <www.nhes.state.nh.us /elmi/nonfarm.htm>

Seasonally Adjusted: New Hampshire's total nonfarm employment declined by 1,600 jobs according to seasonally adjusted estimates for November. All seasonally adjusted published supersectors posted reductions. Trade, transportation, and utilities (supersector 40) led the supersectors in this category with a 900-job loss. Government came in a close second with an 800-job drop. Employment in construction (supersector 20) fell by 400 jobs, followed by a 300-job cut back in manufacturing (supersector 30), and rounded out when leisure and hospitality (supersector 70) trimmed its ranks by 100 jobs.

Unadjusted: November estimates in this realm showed New Hampshire employment fell by 1,000 jobs from the October level.

Seasonal activity played a large role in this decline, as employment in leisure and hospitality (supersector 70) de-

Continued on page 7

Monthly Unadjusted Nonfarm Wage and Salary Employment by Primary Metropolitan Statistical Area

Employment by Sector number of jobs by place of establishment	Manchester PMSA			Nashua PMSA			Portsmouth-Rochester NH-ME PMSA		
	Preliminary	Change from previous:		Preliminary	Change from previous:		Preliminary	Change from previous:	
	Nov-03	Month	Year	Nov-03	Month	Year	Nov-03	Month	Year
Total All Sectors	110,000	600	1,100	93,800	400	-2,000	127,700	0	-1,200
Private Employment Total	96,500	800	800	83,800	400	-2,300	102,500	-100	-1,600
Natural Resources and Construction	6,700	0	300	3,800	0	100	4,500	0	100
Manufacturing	11,700	0	100	21,100	0	-1,400	12,400	-100	-1,800
Trade, Transportation, and Utilities	24,500	500	800	21,700	300	300	28,800	400	1,200
Wholesale Trade	6,300	0	100	3,600	0	100	4,200	0	0
Retail Trade	14,300	600	800	15,900	300	100	22,000	400	1,300
Transportation and Utilities	3,900	-100	-100	2,200	0	100	2,600	0	-100
Information	3,200	0	0	1,700	0	0	3,200	0	100
Financial Activities	8,600	100	-100	6,200	100	-300	7,400	0	0
Professional and Business	12,200	0	-600	7,300	0	-400	10,900	0	-700
Educational and Health	16,400	0	0	11,900	200	0	18,900	100	200
Leisure and Hospitality	8,700	200	300	6,900	-200	-500	12,200	-500	-800
Services	4,500	0	0	3,200	0	-100	4,200	0	100
Government Total	13,500	-200	300	10,000	0	300	25,200	100	400

Average Earnings and Hours of Production Workers in Manufacturing

Sector	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	Nov-03 prelim.	Oct-03 revised	Nov-02	Nov-03 prelim.	Oct-03 revised	Nov-02	Nov-03 prelim.	Oct-03 revised	Nov-02
New Hampshire									
All Manufacturing	$612.16	$593.04	$582.80	40.3	39.3	40.0	$15.19	$15.09	$14.57
Durable Goods	633.13	615.38	607.65	40.9	39.6	40.7	15.48	15.54	14.93
Nondurable Goods	560.94	536.31	520.28	38.9	38.5	38.2	14.42	13.93	13.62
Manchester PMSA									
All Manufacturing	$618.97	$632.79	$604.03	39.2	39.5	38.4	$15.79	$16.02	$15.73
Nashua PMSA									
All Manufacturing	$620.45	$586.64	$577.20	39.9	37.2	39.0	$15.55	$15.77	$14.80
Portsmouth-Rochester, NH-MA PMSA									
All Manufacturing	$609.41	$594.79	$650.45	40.9	39.6	42.1	$14.90	$15.02	$15.45

creased by 3,000 jobs. Construction (supersector 20) also saw its season draw down with its 800-job reduction.

Professional and business services (supersector 60) reduced its rolls by 100 jobs. This reduction could not be directly attributed to seasonal events.

At the supersector level, natural resources and mining (supersector 10), manufacturing (supersector 30), and information (supersector 50) held their respective employment totals at the previous month's level. On the positive side of the ledger, trade, transportation, and utilities (supersector 40) found it necessary to expand its work force by 1,700 jobs in November. Educational and health services (supersector 65) added 800 jobs. Financial activities (supersector 55) brought 200 additional workers on board in November. To wrap up the increases for November, other services (supersector 80) and government (supersector 90) each employed 100 more workers.

B. G. McKay

Continued from page 1

running through November 2003, the first time since May 2002. There was a 6.1 percent increase in overall retail sales according to US Census Bureau's "Advance Monthly Sales for Retail and Food Services October 2003." Sales demonstrated strength across all categories except minor declines of less than one percent in sporting goods, hobby, book and music stores and in miscellaneous store retailers.

Conclusion

While well below the peak from December 2000, the state's exports of computers and electronic products have started to grow again. As for all of New England, June 2003 level of exports of computer and electronic products surpassed that of September 2001 and 2002. Meanwhile New England's exports from other industries have grown to bring total exports up to prior levels.

The state's unemployment rate has tracked well below that of the region and the nation for the year. Consumer confidence in the region, though at similar levels as last year this time, are showing signs of improvement. Consumer confidence increased in November for a fourth straight month, a good sign entering into the holiday shopping season, and providing a strong indicator of a recovery.

The waiting game continues. The state's workforce, skilled and educated, is prepared for recovery. Economists anticipate the recovery will be slower than those of the past and have extended recovery timelines a couple of times. The air of continued uncertainty still weighs heavily and caution is slow. Now it's up to businesses to take those steps of confidence to rehire and start building again.

Anita Josten

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