

New Hampshire ECONOMIC CONDITIONS

February 2024

Cliff at Mt Bond PHOTO CREDIT

Frozen Lake Winnepesaukee PHOTO CREDIT

Inn at Mill Falls, Meredith NH PHOTO CREDIT

Skiing the Mountains PHOTO CREDIT

Job Growth in New Hampshire Slowed, but the Labor Market is Still Strong

Nonfarm employment growth slowed throughout 2023 in New Hampshire and the U.S. overall, as high interest rates slowed economic growth.

Adjusted for seasonal factors, New Hampshire employment growth averaged 1,100 jobs per month in the fourth quarter of 2023, approximately half of employment growth in the first quarter. U.S. employment growth followed a similar trend, averaging 165,000 jobs per month in the fourth quarter, compared to 312,000 jobs per month in the first quarter.

Despite this decline, U.S. employment growth in the fourth quarter of 2023 was essentially the same as in 2019, when the U.S. added an average of 160,000 jobs per month. In New Hampshire, fourth quarter employment growth was approximately double the 2019 rate of growth, when employment growth averaged 550 jobs per month.

Although inflation remained elevated at the end of 2023, it dropped substantially from its peak in mid-2022.¹ U.S. Federal Reserve officials have indicated that they believe inflation is under control, and they expect to cut interest rates slightly in 2024, lessening their restrictive effect on the economy.² With more favorable rates possible later in 2024, economists have become more optimistic that the U.S. economy could achieve a “soft landing,” controlling inflation without falling into a recession.

Demand for Labor

Online postings for job openings, which indicate employer demand for additional workers, slowed over the second half of 2023. Job postings are an indicator of employer confidence, as employers may be hesitant to post new positions if they are concerned about current and future economic conditions. Data from labor market analytics firm

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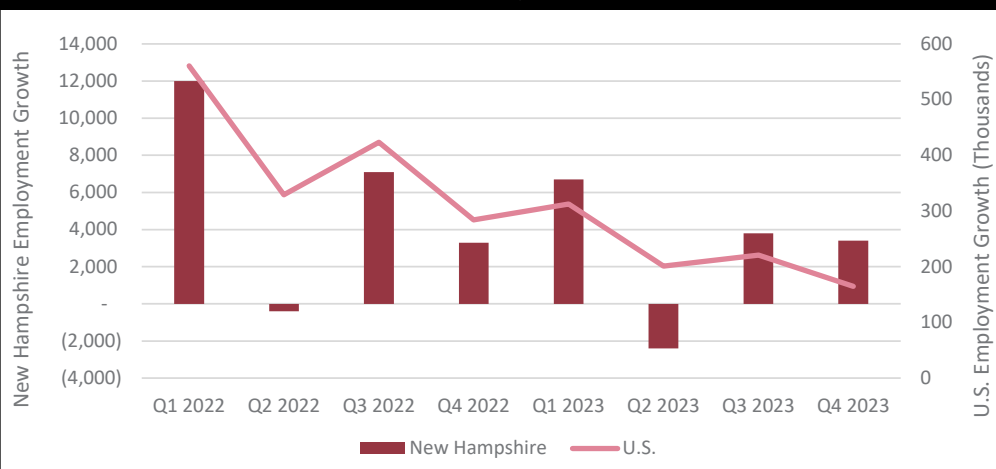
Lightcast showed that the number of job postings in New Hampshire peaked at 24,500 in May 2023, falling to just over 17,000 postings in December.

Data from the U.S. Bureau of Labor Statistics’ Job Openings and Labor Turnover Survey (JOLTS) showed a similar trend, although it indicated labor demand peaked more than a year earlier. New Hampshire’s job openings rate reached 8.1 percent in March 2022, and declined steadily to 5.1 percent in November 2023. This closely followed the national rate, which fell from 7.4 percent to 5.3 percent over that time. The November 2023 job openings rate remained slightly above the 2019 rate, which averaged 4.5 percent both nationwide and in New Hampshire.

Layoffs and Quits

Slowing employment growth in 2023 appeared to be the result of fewer hires and not an increase in layoffs. Continuing unemployment claims measure the number of individuals who qualify for unemployment insurance

Nonfarm Employment Growth



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

¹ In December 2023, the U.S. Federal Reserve’s preferred measure of inflation, the Personal Consumption Expenditures Index, increased 3.2 percent over-the-year, with food and energy prices excluded.
² Board of Governors of the Federal Reserve System, “Federal Reserve Issues FOMC Statement,” December 13, 2023. <https://www.federalreserve.gov/newsevents/pressreleases/monetary20231213a.htm>.

benefits each week. An increase in continuing claims would indicate either more individuals getting laid off, layoffs for longer durations, or a combination of the two.

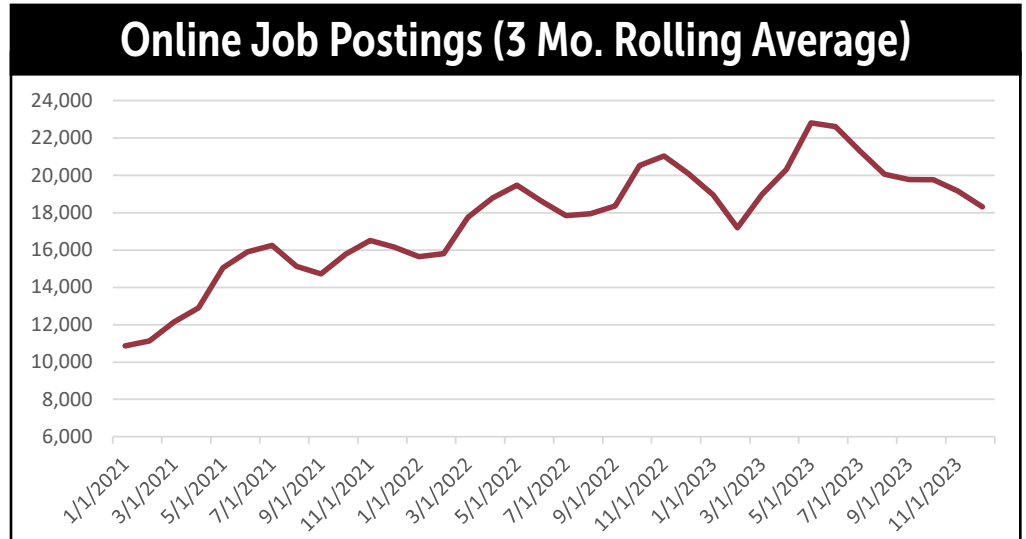
Nationally, the number of continuing unemployment claims filed each week was slightly above 2019 levels for most of 2023. The number of continuing claims filed each week followed seasonal patterns and did not suggest an increase in layoffs throughout the year. In New Hampshire, continuing claims followed a similar trajectory, but remained just below 2019 levels.

Data from JOLTS showed no sign of increasing layoffs as well, with the U.S. layoffs and discharges rate between 1.0 and 1.2 percent throughout 2023. After a slight increase at the end of 2022, the rate of layoffs and discharges in New Hampshire declined throughout 2023, from 1.6 percent in January to 0.9 percent in November.

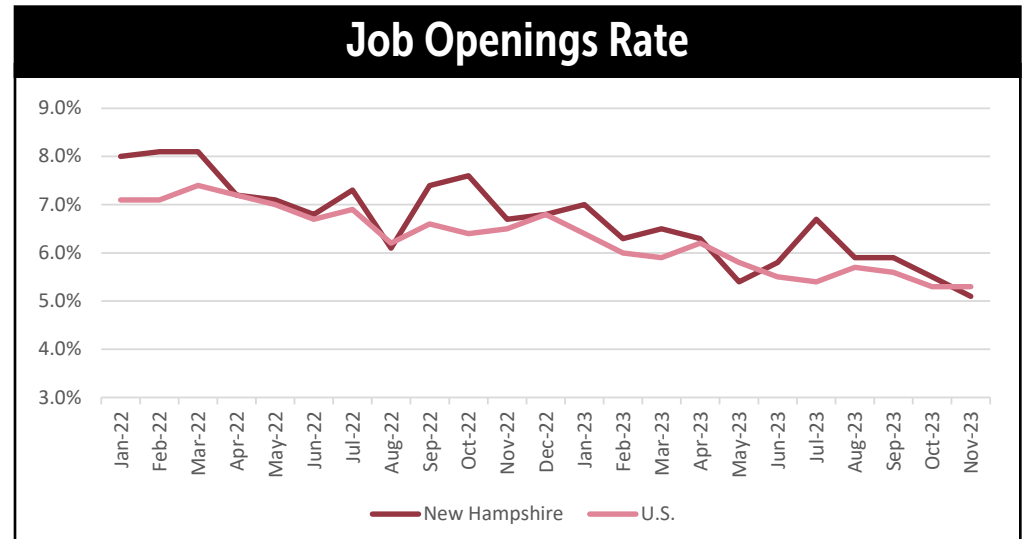
Starting in early 2021, the percentage of workers voluntarily quitting jobs increased, as workers took advantage of high demand for labor to improve wages and working conditions. The voluntary quits rate peaked in late 2021 and early 2022, reaching 3.0 percent in the U.S. and 3.3 percent in New Hampshire.³ Voluntary quits declined throughout 2022 and 2023, and were just above pre-pandemic rates in November 2023, suggesting that supply and demand for labor were more balanced. Since newly hired workers are often the first to be laid off, the decline in quits also suggests workers were behaving more cautiously by 2023, choosing the stability with their current employers over new opportunities, which may offer higher wages but also possibly greater risks.

Looking Ahead

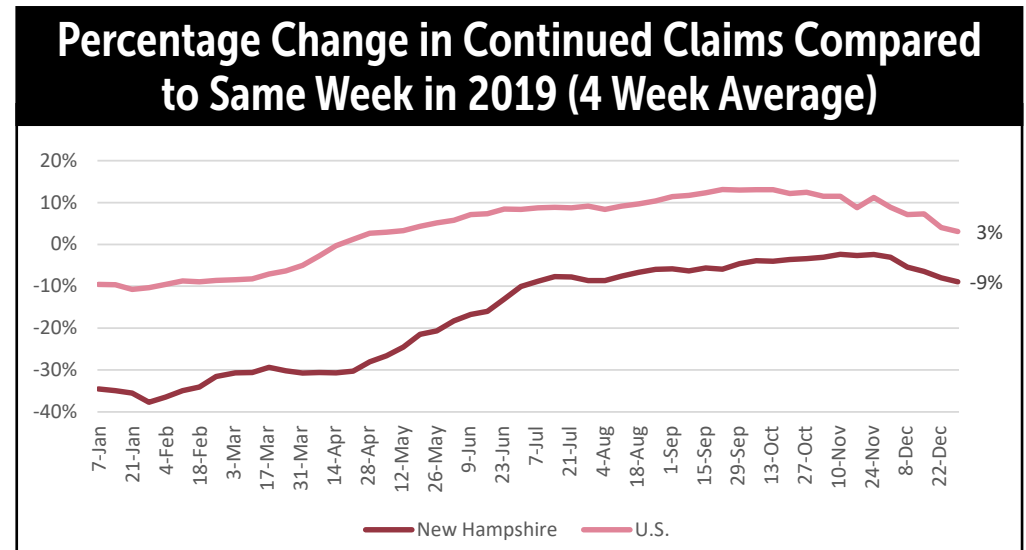
Many economists expected a recession in 2023, but the U.S. economy defied these expectations. While employment growth slowed, Gross Domestic



Source: Lightcast



Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey



Source: U.S. Department of Labor, Unemployment Insurance Weekly Claims Data

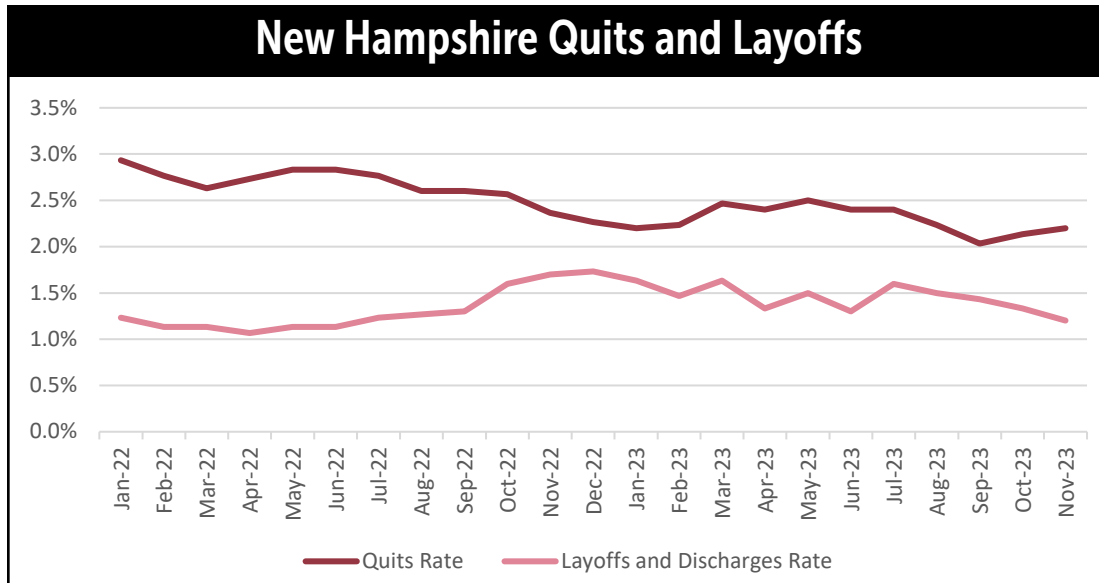
3 Workers who quit did not necessarily take another job, although voluntary quits exclude retirements.

Product (GDP) growth actually increased in the second half of the year. New Hampshire’s GDP followed the national trend, increasing at an annualized rate of 4.5 percent in the third quarter of 2023 (fourth quarter GDP data is not yet available at the state level) after 0.3 percent growth in the first half of the year.

The U.S. economy faces challenges in 2024, particularly the impact of high interest rates. The Federal Reserve’s latest forecast indicated they expect to cut interest rates

three times in 2024; even with three rate cuts, interest rates would continue to slow economic growth. After declining throughout 2023, employment growth in 2024 will likely be lower than in 2023. However, employment growth ended 2023 at pre-pandemic levels, and with no change in the number of layoffs or unemployment claims, the labor market remains strong overall.

– Greg David, Economist



Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey