

New Hampshire ECONOMIC CONDITIONS

March 2021

White blossoms - Nick Windsor on Pixabay

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Payroll Protection Program Loans to New Hampshire Businesses

The Paycheck Protection Program (PPP) is a small business loan program authorized by the CARES Act, signed into law in March 2020 to mitigate the economic effects of the coronavirus pandemic. Implemented by the U.S. Small Business Administration (SBA), the PPP allowed small businesses to apply for loans intended to keep workers on the payroll, rehire furloughed or laid-off workers, and cover eligible overhead expenses. PPP loans were issued at a low interest rate, and in some cases, could be forgivable.

The first round of PPP loans was issued between April and August 2020, with \$525 billion loaned nationwide.¹ In New Hampshire, 24,729 businesses received loans

worth a total of \$2.6 billion. This represented roughly one-third of all businesses in New Hampshire.² An additional \$284 billion in funding for PPP loans was made available in January 2021, including “second draw” loans for businesses that had received a PPP loan in 2020.

Data about loan recipients was made publicly available by the SBA, based on information provided by loan recipients on their loan applications. This data included the size of loans, the number of jobs supported, as well as industry, business type and owner demographic information. For loans of at least \$150,000, more data was released, including firm name, while firm-identifying data was not released for loans under \$150,000.

INSIDE THIS ISSUE:

Seasonally Adjusted Estimates

Unemployment Rates	4
Current Employment Statistics	4

Not Seasonally Adjusted Estimates

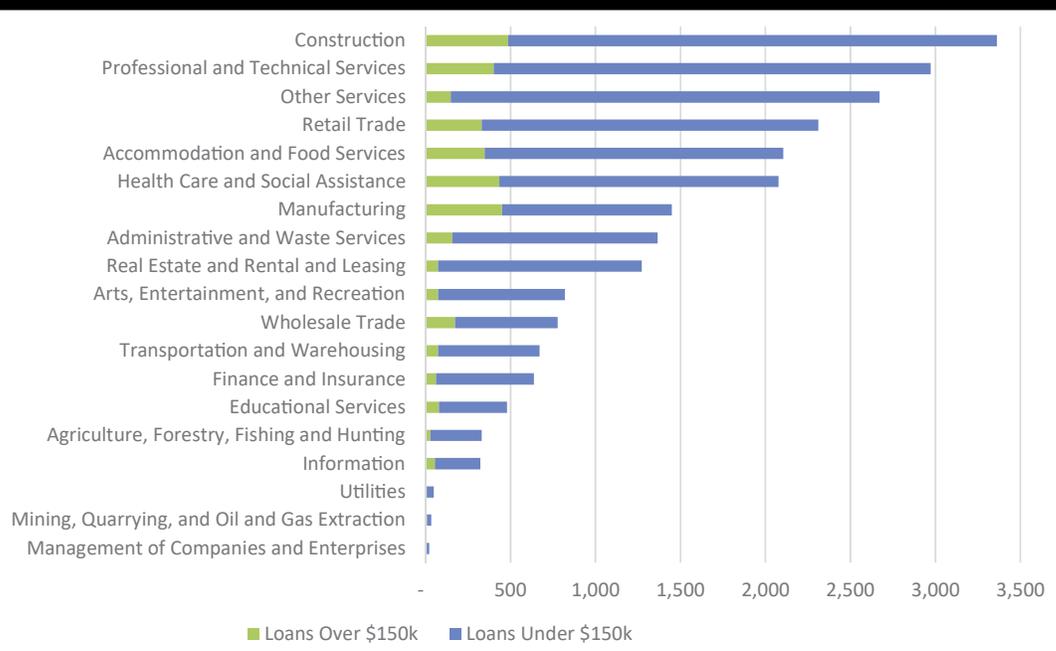
Unemployment Rates	5
Current Employment Statistics	6
Claims Activity	9

Industry Breakdown of PPP Loans³

Establishments in the *construction* industry received more loans than any other industry in New Hampshire, with nearly 3,400 establishments receiving a loan. Establishments in the *management of companies and enterprises* industry received just 22 loans, the fewest of any industry.

In 2019, the *construction* industry consisted of 4,300 establishments with employees. Information about nonemployer establishments is not as recent; as of 2017, there were 4,100 nonemployer *construction* establishments. Assuming the number of nonemployer establishments did not change significantly since 2017, there were approximately 8,400 *construction* establishments operating in New Hampshire before the pandemic began; roughly 40 percent of these establishments received a PPP loan.

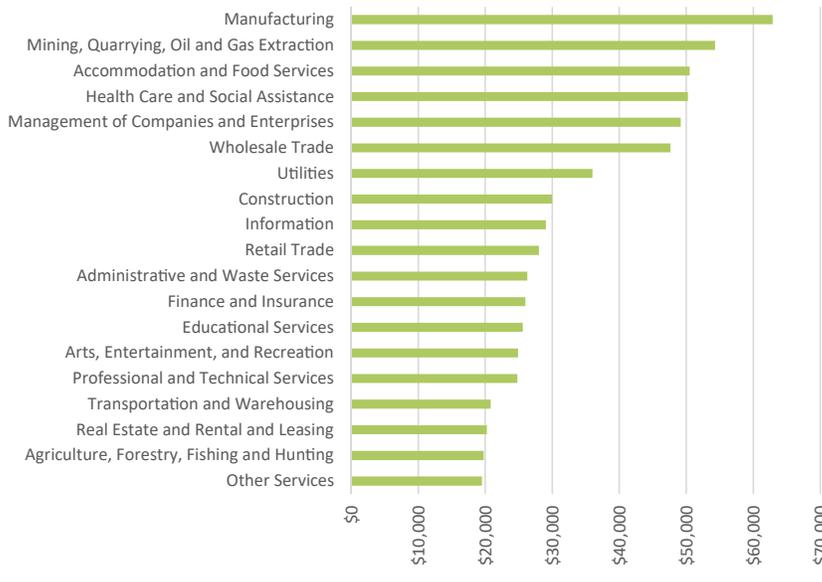
Number of PPP Loans Received by Industry



Source: U.S. Small Business Administration, Payroll Protection Program (PPP) Report

1 U.S. Small Business Administration, Payroll Protection Program (PPP) Report, https://www.sba.gov/sites/default/files/2020-08/PPP_Report%20-%202020-08-10-508.pdf.
 2 In 2019, there were nearly 47,000 business establishments with employees operating in New Hampshire. In addition, there were 30,000 nonemployer establishments, businesses that do not employ anyone other than the owner(s), as of 2017, the most recent data available. An establishment is a single place of business, engaged in a single business activity, and operated by a single employer. A firm may operate multiple establishments, with either multiple locations or distinct business activities.
 3 Business characteristics, including industry classification, in PPP data are self-reported by loan applicants, and may differ from Bureau of Labor Statistics classifications.

Median PPP Loan, by Industry



Source: U.S. Small Business Administration, Payroll Protection Program (PPP) Report

In most industries, between 20 and 40 percent of establishments received a PPP loan. Establishments in the *arts, entertainment and recreation* industry were most likely to receive PPP loans, with half of establishments in the industry receiving a loan. Just four percent of establishments in the *management of companies and enterprises* industry received a loan.

The Size of Loans Varied by Industry

Roughly 85 percent of all PPP loans to New Hampshire-based businesses were for less than \$150,000. In total, these loans were worth \$770 million. The 3,400 loans worth \$150,000 or more accounted for two-thirds of money loaned, \$1.8 billion. The median loan amount issued to all establishments located in New Hampshire was \$28,800, with loans ranging in size from less than \$1,000 to \$9.6 million. By industry, median loan amounts ranged from \$63,000 in the *manufacturing* industry down to \$19,500 in the *other services* industry.

In total, establishments in the *health care and social assistance* industry received loans worth \$366 million, more than any other industry. *Construction* establishments received the second largest total loan amount, \$355 million, followed by *manufacturing*, \$289 million, and *professional and technical services*, \$281 million.

Construction establishments obtained the largest number of loans worth at least \$150,000, with 486 establishments receiving a combined \$253 million

in loans, roughly \$500,000 each. In the *health care and social assistance, manufacturing, and professional and technical services* industries, there were 400 or more establishments in each industry receiving a loan worth at least \$150,000.

Non-Profit Status

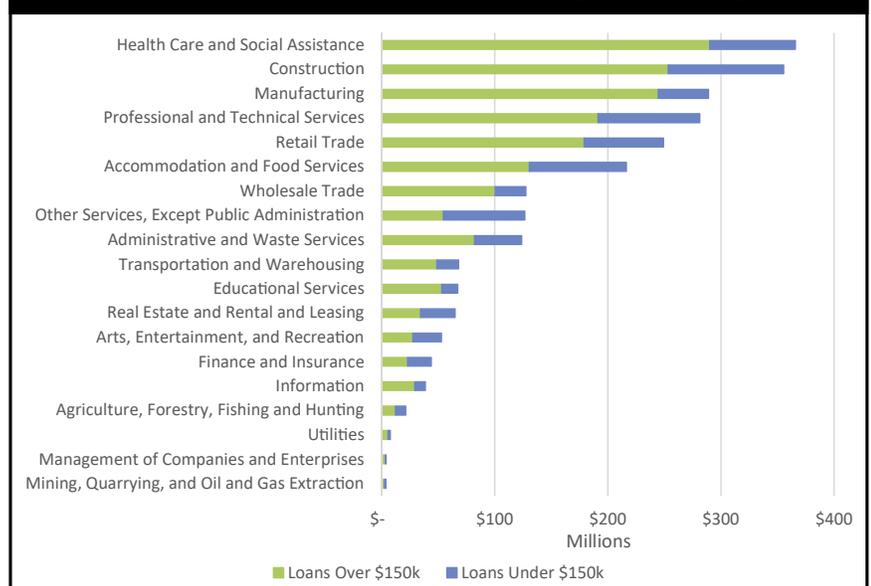
More than 1,000 establishments that received PPP loans indicated that they were non-profits on their loan applications. These businesses were primarily in four industries: *health care and social assistance, educational services, arts, entertainment and recreation, and other services*.

Non-profits received PPP loans worth \$246 million, with the average loan worth \$228,000. *Health care and social assistance* non-profits received loans worth \$135 million, more than half of all money loaned to non-profits. The average loan to a *health care and social assistance* non-profit was worth \$566,000.

Jobs Supported by PPP Loans

PPP loan applications indicated how many jobs would be supported by each loan, in other words, the number of employees that establishments were able to continue to employ, or to re-hire, as a result of the loan. For most businesses, this was just a handful of employees. In the first quarter of 2020, more than half of all privately-owned firms in New Hampshire employed between one and four workers.⁴ Among loans that indicated they would support jobs, just under half supported between one and four jobs.

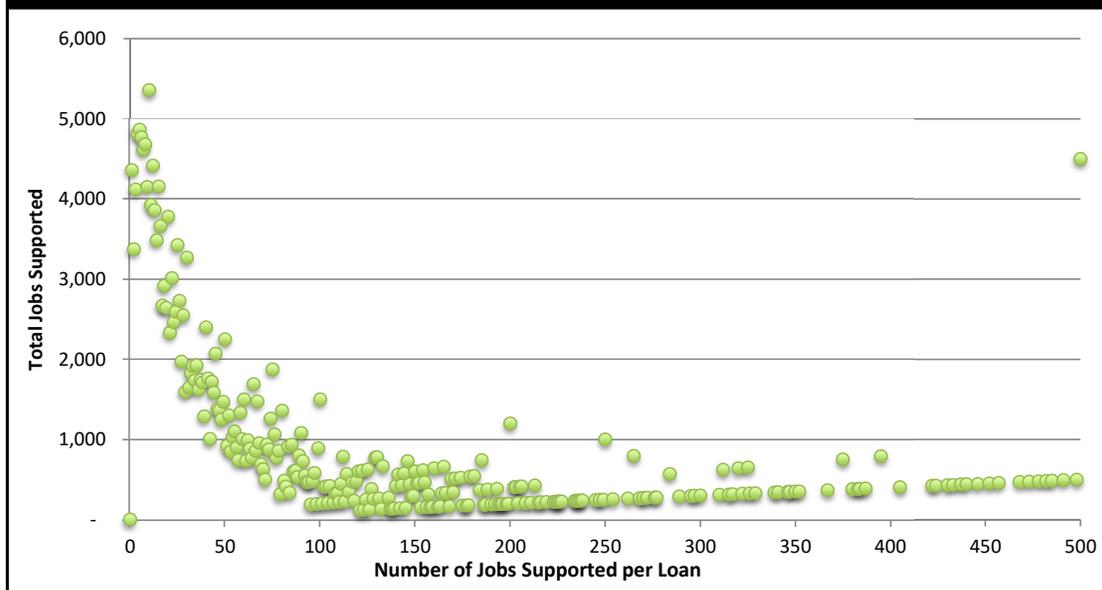
Total PPP Loan Amount by Industry



Source: U.S. Small Business Administration, Payroll Protection Program (PPP) Report

⁴ New Hampshire Employment Security, Firms by Size. <https://www.nhes.nh.gov/elmi/statistics/documents/fbs-nh-q012020.pdf>. (For these data, Firms count the business entity once regardless of how many individual worksites, aka locations, the business has; establishments count single worksites regardless of the owning firm.)

Number of Jobs Supported by PPP Loans



Source: U.S. Small Business Administration, Payroll Protection Program (PPP) Report

The most common response, from 4,400 businesses, was that their loan would support one job.⁵ Nearly 3,800 businesses indicated that their loans would not support any jobs,⁶ and an additional 3,100 businesses did not indicate how many jobs would be supported by their loans.

In total, loan recipients indicated that PPP loans would support 247,000 jobs. In February 2020, the month before the coronavirus pandemic started to affect employment in New Hampshire, New Hampshire businesses employed 689,000 workers (this does not include self-employed workers), so these loans supported the jobs of more than one-third of New Hampshire’s workforce.

Since the number of supported jobs was self-reported by loan recipients, it is difficult to determine exactly how much of an effect the PPP program had on employment. An analysis from a team of economists at MIT estimated that PPP

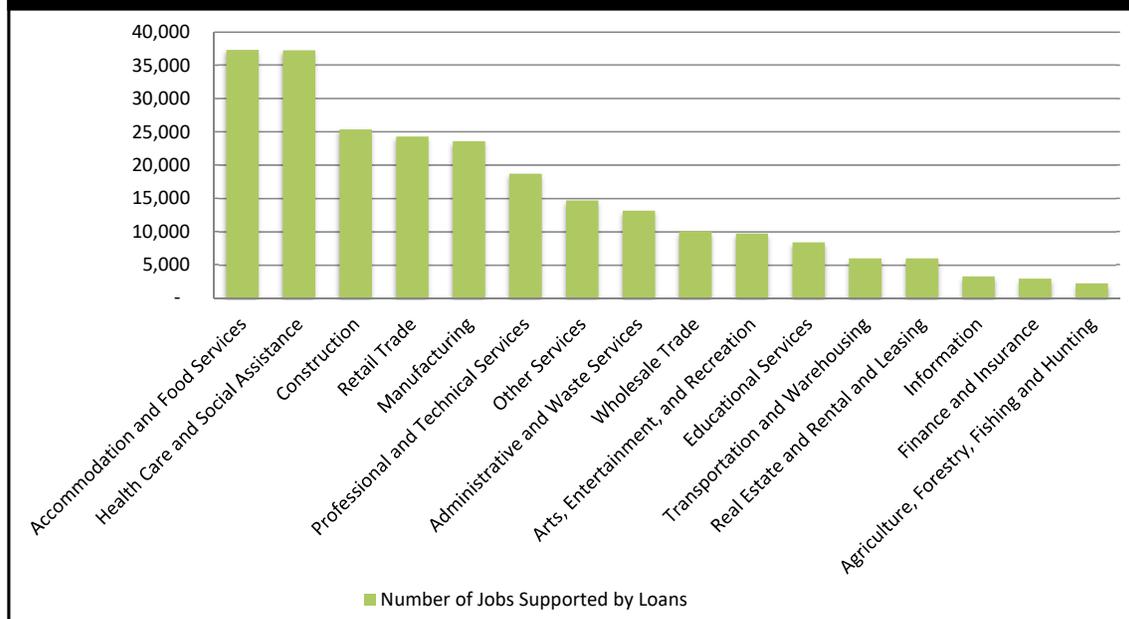
loans increased employment by between 2.0 and 4.5 percent, or 1.4 to 3.25 million jobs nationwide.⁷ An analysis by the Opportunity Index estimated PPP loans increased employment by two percent.⁸

One reason PPP loans didn’t have a larger impact on employment, according to the Opportunity Index, was that PPP loans were not targeted to businesses and industries that needed loans most, and as a result, many businesses that weren’t planning to reduce their workforce received loans. PPP loans were intended to be widely and quickly available; additional restrictions would have made loans less timely

and more difficult to obtain, which was not the intent of the program. Loan requirements for “second draw” PPP loans are slightly more restrictive, limited to businesses with no more than 300 employees, and requiring loan recipients to demonstrate at least a 25 percent reduction in gross receipts between comparable quarters in 2019 and 2020.⁹

– Greg David, Economist

Number of Jobs Supported by PPP Loans by Industry



Source: U.S. Small Business Administration, Payroll Protection Program (PPP) Report

5 The number of jobs supported by each loan is self-reported; many businesses appear to have provided approximate counts. The “outlier” data point in the top right quadrant of the graph represents the number of jobs supported by loans that would support exactly 500 jobs. Other round numbers, 10, 50, 75, 100, 200, 250 jobs, also appear more frequently than a random distribution would suggest. While there are a number of exceptions, having 500 employees or fewer is generally the threshold for a business to be considered “small,” and thus eligible for PPP loans.
 6 The PPP program was designed to incentivize small businesses to retain employees on the payroll; establishments that use 60 percent or more of their loan on payroll costs are eligible for loan forgiveness. PPP loans can also be used for non-payroll business expenses, including mortgage interest, rent, utilities and certain supplier and operational expenses. Loans that do not support any jobs would not be eligible for loan forgiveness.
 7 Autor et al., An Evaluation of the Paycheck Protection Program Using Administrative Payroll Microdata. <http://economics.mit.edu/files/20094>.
 8 Chetty et al. The Economic Impacts of COVID-19: Evidence from a New Public Database Built Using Private Sector Data https://opportunityinsights.org/wp-content/uploads/2020/05/tracker_paper.pdf.
 9 U.S. Small Business Administration, Second Draw PPP Loans. <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program/second-draw-ppp-loans>.