

New Hampshire

Economic Conditions



February 2009

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Which industries in New Hampshire are most affected by the economic downturn?

(This is the first in a three-part series discussing the economic situation in New Hampshire)

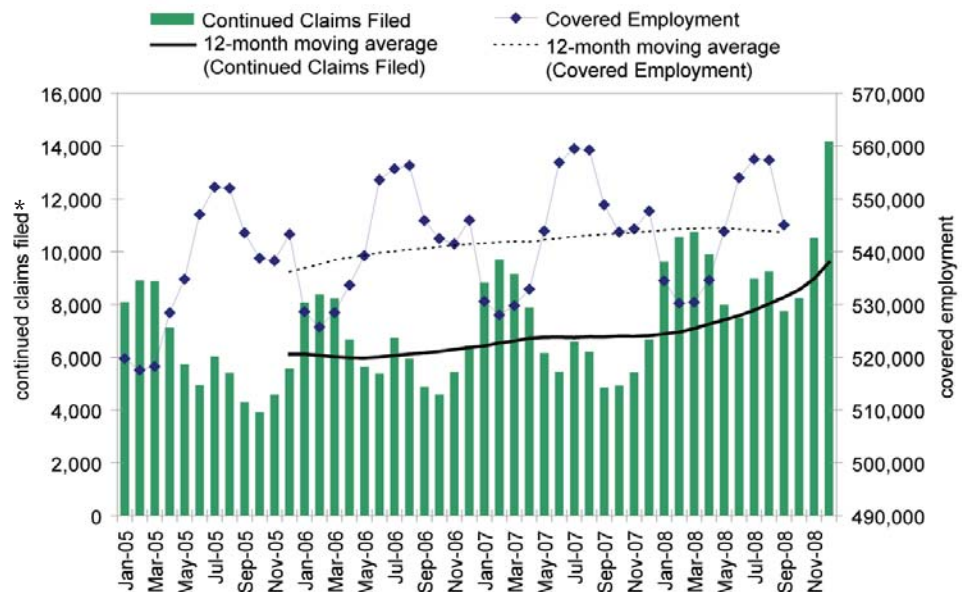
Going into 2009

The National Bureau of Economic Research retroactively determined the national recession started December 2007 because national payroll employment dropped in each of the following ten months. Nevertheless, the number of New Hampshire jobs continued to grow through June 2008. News of layoffs and labor furloughs however, have since been announced from most industry sectors. National and global economic situations are now starting to percolate through New Hampshire's economy.

While New Hampshire's unemployment rate has been slower to rise than the U.S. rate, it did increase over-the-month in December 2008 by 0.3 percentage points, and by 1.2 percentage points from December 2007.¹ Unemployment was more than 8,500 residents higher than December 2007. The indication is clear that more businesses are reducing their workforces leaving residents in the state out of work.

This first part of the series will investigate the relationship between typical covered employment levels and unemployment claims from that industry. The industries most adversely affected can be gauged by using counts from a representative

Private Employment



* Based on counts from the same representative week each month

¹ New Hampshire Employment Security, Unemployment rate news release, January 20, 2009.
www.nh.gov/nhes/elmi/unempnr.htm. Accessed January 21, 2009.

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 Bureau

week of monthly continued claims filed for unemployment compensation benefits.²

Background

New Hampshire's employment, covered by unemployment insurance, grew less than one percent from 2005 to 2006, and by the end of 2007 had gained less than half of a percent from the previous year. Employment growth in the state stalled during the first three-quarters of 2008 and showed signs of falling in reverse. The total of December's continued weeks claimed for unemployment compensation benefits surpassed 72,600 for the month, the highest one-month total since April 1991.

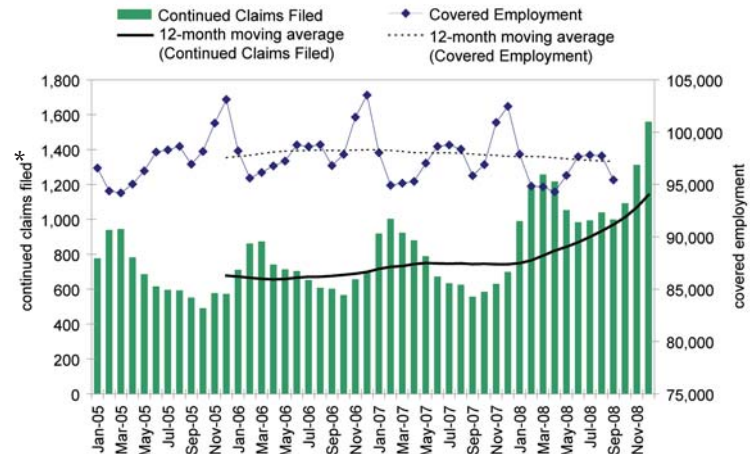
The comparison of private employment to the continued claims filed (based on counts from a representative week each month) can give an indication of trends in individual industries. Employment in the state has typical seasonal fluctuations. For example, employment tends to be higher during the summer months when construction jobs start up and the tourist attractions open for the season, and corresponding lower numbers of unemployment claims are filed while the employment opportunities increase.

The seasonal patterns of employment are evident with the peaks and valleys following the seasons and the opposite levels for claims filed. Adding a 12-month moving average for each element helps mute the seasonal changes and give a clearer picture of the annual trend. With the trend line, it becomes more evident that employment growth in the state significantly slowed and started to slide downwards as of the most recent covered employment data available (third quarter 2008). Meanwhile continued claims filed (for unemployment compensation), which had been fairly steady through 2006 and 2007, started to climb through December 2008.

Retail Trade

Sharing borders with three states, New Hampshire's *Retail trade* community has long enjoyed the advantage of no sales tax. Eighteen percent of the state's workforce is employed in *Retail*, the highest share among the bordering states. The industry also has a significant role in the health of the economy. The industry continued to grow through the 2001

Retail Trade



* Based on counts from the same representative week each month

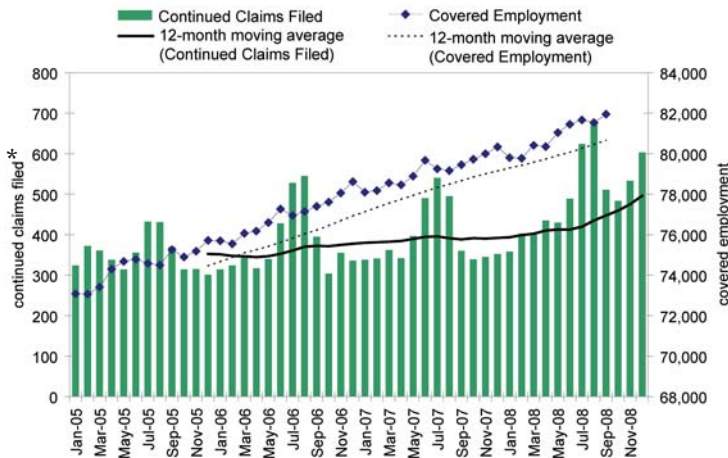
recession and employment with it. Toward the end of 2007 going into 2008, rising expenses for energy and transportation caused many employers to moderate the amount of merchandise ordered as well as postpone seasonal staff increases. Typical boosts to buying needs, like school shopping and holidays, didn't produce the normal sales leaving retailers with a red bottom line. New Hampshire's 2006 to 2007 over-the-year employment in *Retail trade* dropped, the first time since at least 1987 according to available data. To make matters worse, the employment levels through third quarter 2008 showed no improvement. Continued claims filed in *Retail trade* started trending up the beginning of 2008 and continued to rise through December.

Health Care and Social Assistance

Typically, employment growth in health care fields results from population pressures. That has been the case in the *Health care and social assistance* sector in New Hampshire with employment levels on a steady incline. These circumstances contributed to the *Health care and social assistance* sector becoming the industry with the second largest number of workers in the state. Until recently, continued claims filed in the industry had followed a flat line, neither significantly rising nor falling. Continued claims filed jumped in July 2008 and have continued, through December, to be higher than those filed in the previous year.

² United States Department of Labor, Employment and Training Administration, ETA 203 — Distribution of Characteristics of the Insured Unemployed, New Hampshire (Data compiled by New Hampshire Employment Security and reported on the ETA 203)

Health Care and Social Assistance



* Based on counts from the same representative week each month

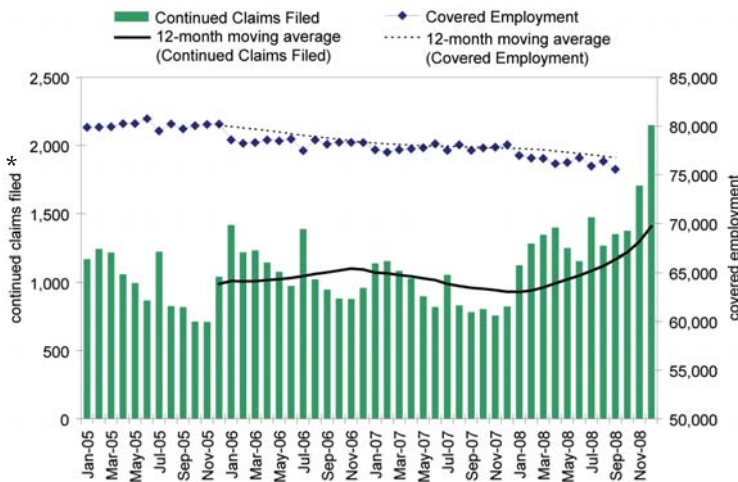
Construction

There is no question that the decline in housing starts and building permits is affecting demand for *Construction* employment. Employment in the industry had continued to gain numbers through 2005 and 2006, against national trends. By first quarter 2007 employment dropped lower than it had the previous two winters and claims filed in the industry went higher than previous years. Summer employment in 2007 did not reach the peaks of 2005 and 2006, and continued claims filed increased during that time – against the typical trend of declining in summer months. Continued claims filed in third quarter 2008 jumped way beyond those filed during the same quarter of previous years.

Manufacturing

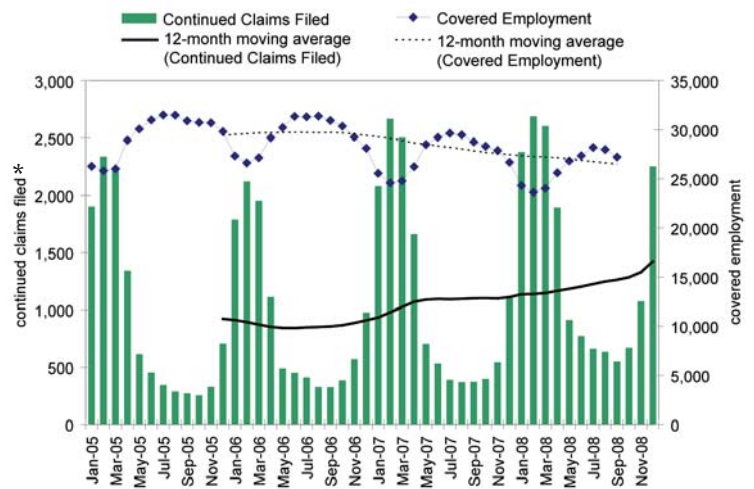
New Hampshire historically has had a strong share of *Manufacturing* workers. *Manufacturing* employment in the state peaked in 1998 with over 103,500 workers. Between 1998 and 2003 *Manufacturing* lost over 23,000 jobs. The loss of *Manufacturing* employment in the state has slowed since 2003, stalling for most of 2007. The trend of continued claims filed in *Manufacturing* even showed a dip through 2007 before sharply inclining through December 2008.

Manufacturing



* Based on counts from the same representative week each month

Construction

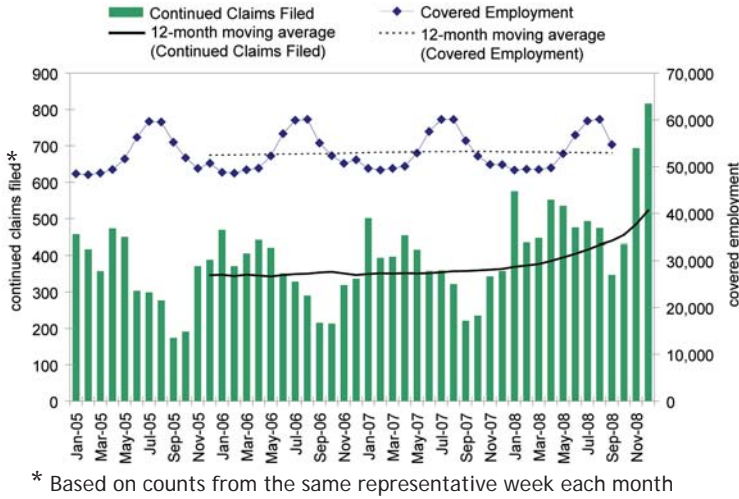


* Based on counts from the same representative week each month

Accommodation and Food Services

New Hampshire's reputation as a tourist destination speaks volumes about the importance of the *Accommodation and food services* industry sector. One of every ten private sector workers in the state works in *Accommodation and food services*. The industry is among those most susceptible to changes in the economy because it relies heavily on available discretionary spending, flourishing in good times and struggling in hard. Another uncontrollable factor that plays a role in the industry employment changes is the weather, especially the draw-backs of inclement weather. In spite of some stalling in hiring patterns from weather, overall employment trends in the industry slipped a bit through third quarter 2008. As costs increased for businesses and

Accommodation and Food Services



demand decreased, they began to scale back on payrolls, seen by the steady increase of continued claims filed in the industry through December 2008.

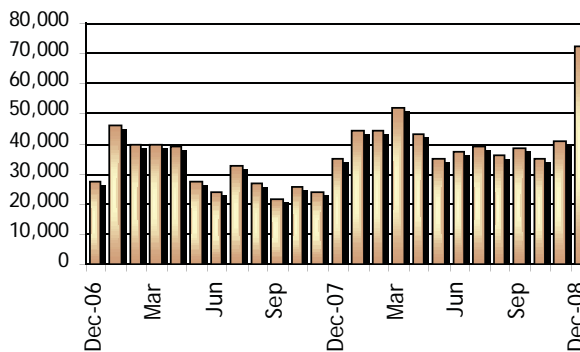
Overall, continued weeks filed climbed higher over-the-month November to December 2008 than they had in previous years. Only *Management of companies and enterprises* and *Utilities in New Hampshire* showed a decline in the number of continued claims filed in December.

Anita Josten

(The next part of the series will cover business employment changes, which include gross job gains and gross job losses by industry in the state. The series will conclude with a review of the occupational groups that have been most affected by the economic downturn.)

Unemployment Compensation Claims Activity

Total Regular Unemployment Compensation Programs:	Change from Previous						
			Month		Year		
	Dec-08	Nov-08	Dec-07	Net	Percent	Net	Percent
Initial Claims	13,189	7,178	7,536	6,011	83.7%	5,653	75.0%
Continued Weeks	72,661	41,032	35,069	31,629	77.1%	37,592	107.2%



Claims Activity

Continued Weeks Claimed

December 06 to December 08

Unemployment Compensation Fund

Unemployment compensation fund balance at the end of December	\$175,294,590.73
Average payment for a week of total unemployment:	\$273.28
Net benefits paid:	\$14,872,803.53
Net contributions received during the month:	\$148,691.39
Interest Received:	\$2,043,975.34
Reed Act Distribution:	\$0.00
Reed Act Withdrawn for Administrative Costs:	\$400,000.00

Trust Fund

			Change from Previous	
Dec-08	Nov-08	Dec-07	Month	Year
210.228	212.425	210.036	-1.0%	0.1%

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

Consumer Price Index