

New Hampshire Economic Conditions

November 2012

New Hampshire's Real Gross Domestic Product by State, 2011

Gross Domestic Product (GDP) estimates, produced by the Bureau of Economic Analysis within the U.S. Department of Commerce, represent the total cost of all goods and services produced within a country. It is a measure of a nation's economic health and growth that can be compared to nations throughout the world.

The measure of economic health for U.S. states is the Gross Domestic Product by State. GDP by state is measured by incomes earned and costs of production by industry located within a state. Examples of income factors include rent received for land, housing, and patents (royalties), wages received for labor, interest received for

capital investment, and profit received on entrepreneurship.

New Hampshire's real GDP by state for 2011 was \$56.6 billion, an increase of 1.5 percent over-the year. Nationally, the 2011 real GDP by state was \$13,108.7 billion, also increasing by about 1.5 percent over-the-year.

Comparing States and the Nation

New Hampshire is small compared to many states, and ranking New Hampshire with other states and the nation can be deceptive. Among the 50 states and the District of Columbia,

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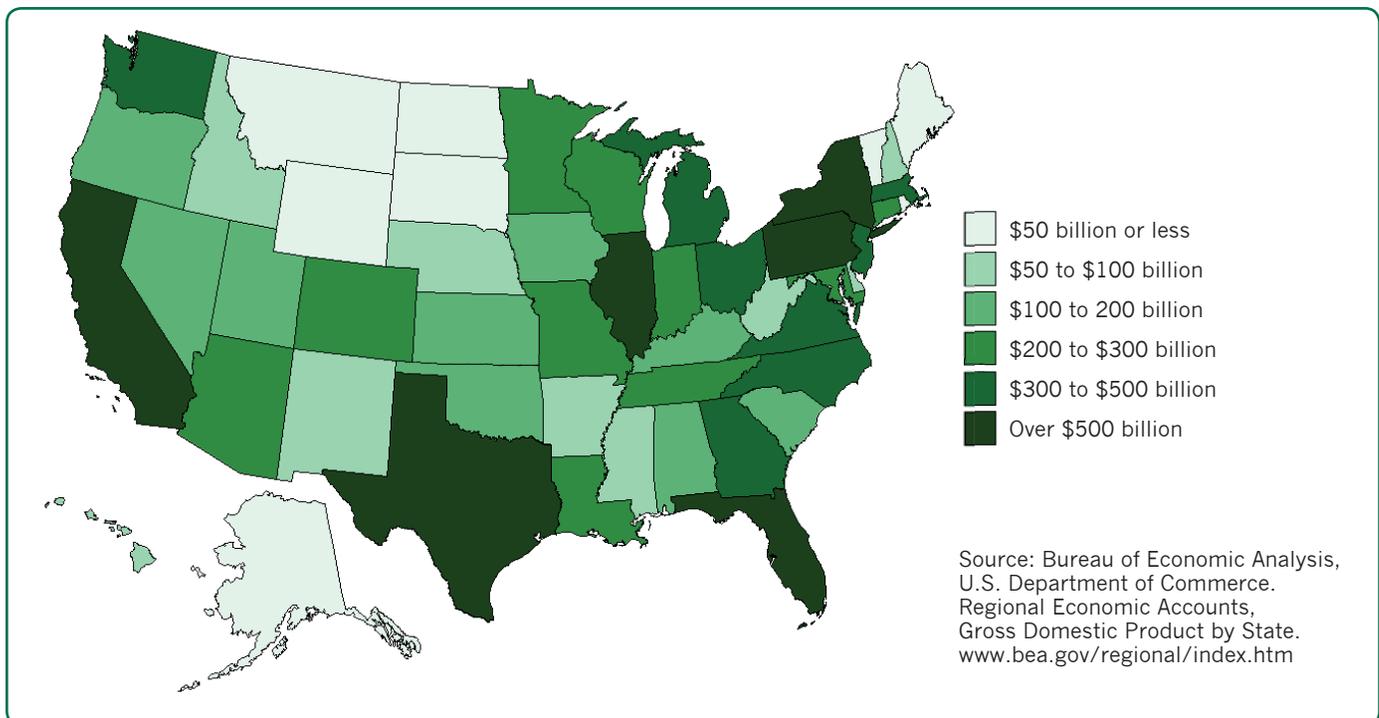
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Real GDP by State, 2011 (chained 2005 dollars)



New Hampshire ranked 41st in both total employment and real GDP by state. New Hampshire's population ranked 42nd. New Hampshire represented less than half of one percent of national totals for population, total employment, and real GDP by state. The top six states in all three of these

rankings — California, Texas, New York, Florida, Illinois, and Pennsylvania — together make up over 40 percent of national totals.

Instead of comparing absolute values, New Hampshire's production can be compared to that of other states or the

nation by using either the share of total GDP by state for each industry, over-the-year percent change in GDP by state, or per capita GDP by state. The estimates in chained dollars, known as real GDP, are used for comparisons over time, as the dollar values are adjusted for inflation.

Gross Domestic Product by State Defined

According to the US Bureau of Economic Analysis, "Gross domestic product (GDP) by state is calculated as the sum of incomes earned by labor and capital and the costs incurred in the production of goods and services. It includes the wages and salaries that workers earn, the income earned by sole proprietorships and partnerships and corporations, and taxes on production and imports—such as sales, property, and federal excise taxes."¹ The U.S. GDP by state — a sum of all state GDP — differs from the U.S. GDP because overseas Federal military and civilian activity, which cannot be attributed to a particular state, is excluded.

GDP by state is estimated as the sum of three income components:²

1. Compensation of employees (Labor Income)

The sum of employee wages and salaries and supplements to wages and salaries, compensation of employees is the largest component of GDP by state, normally accounting for about three-fifths of U.S. GDP by state. Compensation of employees includes the wages, salaries, and other benefits earned by workers, and is estimated as the sum of three components:

- Wage and salary accruals,
- Employer contributions for employee pension and insurance funds, and
- Employer contributions for government social insurance.

Wages and salaries and supplements of Federal military and civilian government employees stationed abroad are excluded from the measure of GDP by state.

2. Taxes on production and imports (TOPI), less subsidies

Taxes on production and imports (TOPI) consist of taxes payable on products when they are produced, delivered, sold, transferred, or otherwise disposed of by their producers (including federal excise taxes and state and local sales taxes) and of other taxes on production, such as taxes on ownership of assets used in production (including local real estate taxes). These taxes do not include taxes on income.

Subsidies are monetary grants by government agencies to private business (for example, federal subsidies to farmers) and to government enterprises at another level of government (for example, federal subsidies to state and local public housing authorities). Subsidies are subtracted from "taxes on production and imports" because they are transfers from government to business and thus, in effect, represent a negative tax by government

3. Gross operating surplus (Capital Income)

This consists of business income of private domestic enterprises (corporate profits before tax with inventory valuation adjustment and without capital consumption adjustment, proprietors' income with inventory valuation adjustment and without capital consumption adjustment); rental income of persons without capital consumption adjustment); net interest and miscellaneous payments; net business current transfer payments; capital consumption allowances; consumption of fixed capital of government, households, and institutions; and current surplus (or deficit) of government enterprises.

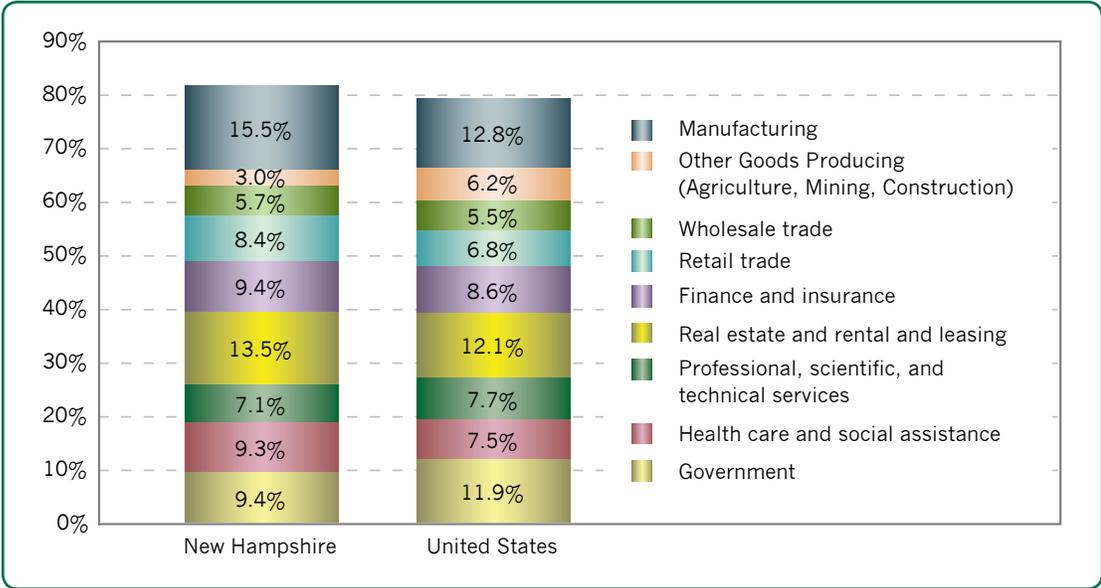
The real GDP by state estimates are measured in chained (2005) dollars, an inflation-adjusted measure of GDP based on national prices for the goods and services produced within a state.³

¹ Baumgardner, Frank L. LeRoynda Brooks, and Lam X. Cao. Gross Domestic Product by State: Advance Statistics for 2011 and Revised Statistics for 1997–2010. Survey of Current Business (Vol. 92, No. 7), U.S. Department of Commerce, Bureau of Economic Analysis, July 2012. http://www.bea.gov/scb/pdf/2012/07%20July/0712_gdp_state_text.pdf.

² US Department of Commerce. Bureau of Economic Analysis. News Release, GDP by State. June 2012. www.bea.gov/newsreleases/regional/gdp_state/gsp_newsrelease.htm

³ Based on Gross Domestic Product by State Estimation Methodology, U.S. Department of Commerce, Bureau of Economic Analysis, <http://www.bea.gov/regional/pdf/gsp/GDPState.pdf>

Industries with Largest Share of GDP by State, 2011



Source: Bureau of Economic Analysis, U.S. Department of Commerce. Regional Economic Accounts, Gross Domestic Product by State. www.bea.gov/regional/index.htm

Leading Industry Sectors in New Hampshire

The leading contributors to total real GDP by state for New Hampshire are *Manufacturing, Real estate, rental and leasing, Government, Finance and insurance, Health care and social assistance, Retail trade, Professional, technical, and scientific services, and Wholesale trade*. These eight sectors combined represented nearly 80 percent of total real GDP by state for New Hampshire in 2011. (There are 20 industry sectors in all, including *Government*.)

The largest share of total real GDP by state for New Hampshire is in *Manufacturing*, with 15.5 percent of the state’s GDP. This industry holds the largest share of total real GDP by state for the nation as well, with 12.8 percent.

Given that GDP is a measure of production, goods-producing industries

may be presumed to hold substantial shares of GDP. That is not the case, as the other goods-producing industries — *Agriculture, forestry, and fishing, Mining, and Construction* — combined represent 3.0 percent of New Hampshire’s real GDP by state. For the U.S., these three industries represent 6.2 percent of real GDP by state, and is bolstered by *Mining*, which includes oil and gas extraction.

The *Real estate and rental and leasing* industry sector has the second-largest share of New Hampshire’s real GDP, 13.5 percent. *Real estate’s* largest contribution to GDP is the estimated rental value of owner-occupied housing. For purposes of GDP estimates, homeowners are considered businesses, which pay rent to themselves. Homeowner property taxes paid are included as part of taxes on production and imports (TOPI) in the GDP calculation for the real estate industry.⁴

Government and *Finance and insurance* were the next largest, each with 9.4 percent of New Hampshire’s real GDP. *Government* and *Professional, technical, and scientific services* were the only two sectors of the top eight in which the share of total real GDP by state for New Hampshire was smaller than the share of total real GDP by state for the nation.

Annual GDP by State Growth Rate

The annual growth rate for real GDP by state is measured by the over-the-year percent change. A negative over-the-year percent change usually coincides with a recession. For New Hampshire, that is certainly true. For the 2000-2001 period, New Hampshire was struggling to recover from a recession after most other states had already done so. When the Great Recession started in 2007, the state’s real GDP declined by the same percent-

⁴ U.S. Bureau of Economic Analysis, FAQ: “Why is GDP by state so large for the real estate industry?” (January 10, 2006), http://www.bea.gov/faq/index.cfm?faq_

age as the nation. From 2008-2009, New Hampshire's real GDP continued to decline, but at a rate half that of the nation. From 2009-2010, the state's real GDP had a larger percent increase than any period in ten years. That rate didn't last, however, and New Hampshire's real GDP by state growth was equal to the nation's from 2010-2011.

Looking at the real GDP by state percent change over-the-year by industry for New Hampshire, the 4.3 percent increase from 2009-2010 was led by *Manufacturing* (20.9 percent increase), *Retail trade* (10.4 percent increase), and *Accommodation and food services* (8.7 percent increase).

From 2010-2011, the growth rate for all industries slowed to 1.5 percent. For *Manufacturing*, *Retail trade*, and *Accommodation and food services*, annual growth slowed substantially but was growth nevertheless. *Manufacturing* still represents the largest share of growth for this period, followed closely by *Professional, scientific, and technical services*, then *Arts, entertainment, and recreation*.

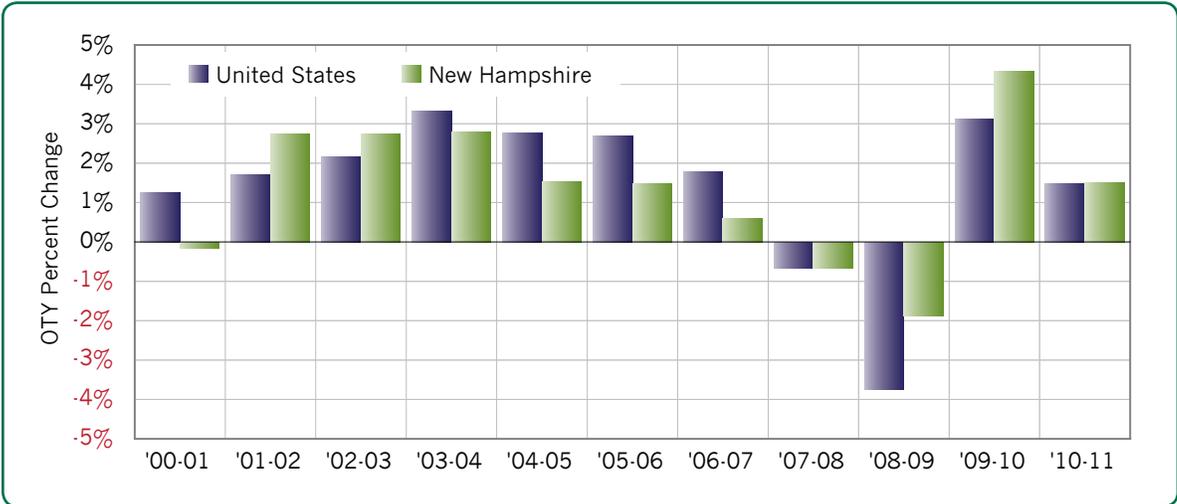
New Hampshire Real GDP by State (chained 2005 dollars)

| percent change from preceding year | 2009-2010 | 2010-2011 |
|--|-----------|-----------|
| All Industry Total (Private Plus Government) | 4.3% | 1.5% |
| Private Industries | 4.8% | 1.6% |
| <i>Goods-producing industries</i> | | |
| Agriculture, forestry, fishing, and hunting | -16.6% | -14.5% |
| Mining | 7.1% | -20.0% |
| Construction | 0.3% | 3.6% |
| Manufacturing | 20.9% | 6.5% |
| <i>Services-providing industries</i> | | |
| Utilities | 0.5% | -4.0% |
| Wholesale trade | 3.8% | 2.4% |
| Retail trade | 10.4% | 2.2% |
| Transportation and warehousing | 2.9% | 1.3% |
| Information | 1.9% | -2.8% |
| Finance and insurance | 6.8% | 2.9% |
| Real estate and rental and leasing | -5.2% | -3.8% |
| Professional, scientific, and technical services | 4.6% | 6.4% |
| Management of companies and enterprises | -6.0% | -1.5% |
| Administrative and waste management services | 7.5% | 2.8% |
| Educational services (private) | -3.2% | -3.3% |
| Health care and social assistance | 2.6% | 2.1% |
| Arts, entertainment, and recreation | 6.6% | 5.3% |
| Accommodation and food services | 8.7% | 1.2% |
| Other services, except government | 3.7% | -1.3% |
| Government* | 0.1% | 0.3% |

*Government includes Federal civilian and military, state, and local governments.

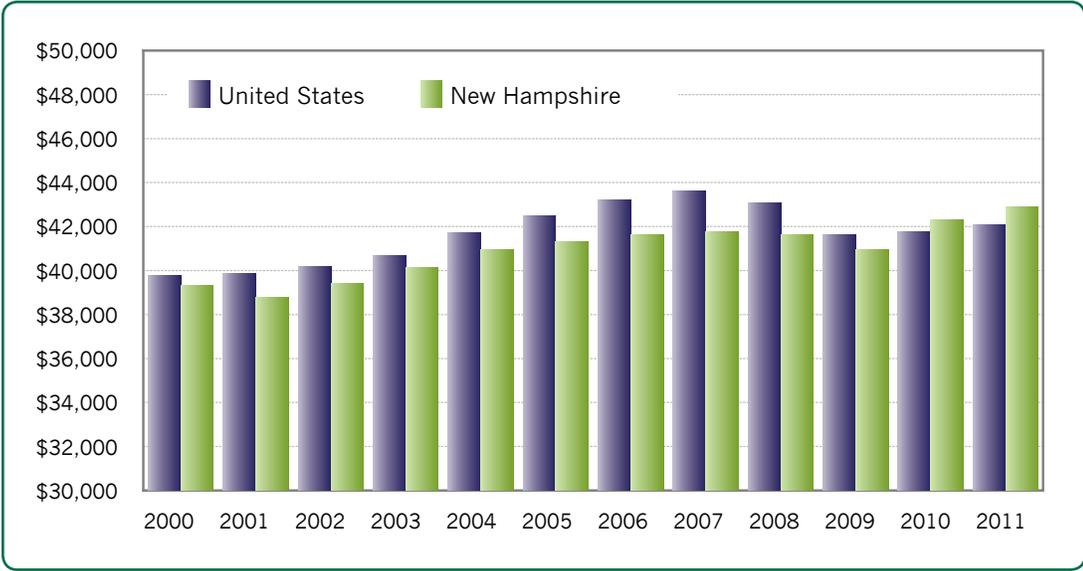
Source: Bureau of Economic Analysis, U.S. Department of Commerce. Regional Economic Accounts, Gross Domestic Product by State. www.bea.gov/regional/index.htm

Over-the-Year Percent Change GDP by State, Total Private Industries Plus Government



Source: Bureau of Economic Analysis, U.S. Department of Commerce. Regional Economic Accounts, Gross Domestic Product by State. www.bea.gov/regional/index.htm

Per Capita Real GDP by State (chained 2005 dollars)



Source: Bureau of Economic Analysis, U.S. Department of Commerce. Regional Economic Accounts, Gross Domestic Product by State. www.bea.gov/regional/index.htm

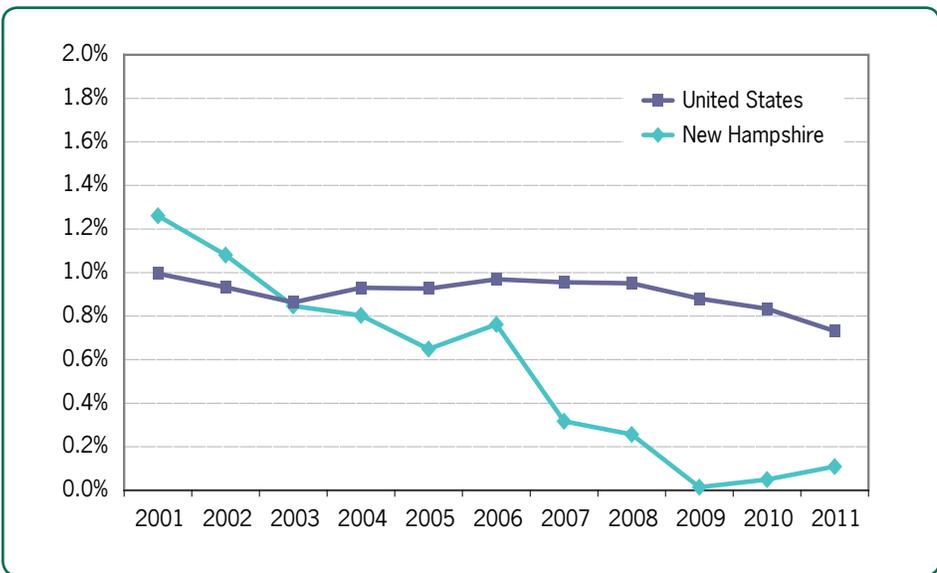
Per capita real GDP by state

Real GDP by state is an inflation-adjusted measure of each state’s gross domestic product that is based on

national prices for the goods and services produced within the state.⁵ According to BEA definition, “Per capita real GDP by state indicates the trend

in output as it relates to population. Although it does not indicate whether the rate of growth in real GDP can be sustained, it suggests the ease with which the economy can continue to support its local population.”⁶ What is most interesting in this time series is that per capita real GDP by state for New Hampshire exceeded that of the nation in both 2010 and 2011. This had not happened at any time in the past ten years.

Over-The-Year Percent Change in Population



Source: U.S. Census Bureau. *Intercensal Estimates of the Resident Population for the United States, Regions, States, and Puerto Rico: April 1, 2000 to July 1, 2010 and Annual Estimates of the Population for the United States, Regions, States, and Puerto Rico: April 1, 2010 to July 1, 2011.* www.census.gov/popest/

⁵ BEA uses the Census Bureau’s annual midyear population estimate to calculate per capita GDP by state.

⁶ U.S. Bureau of Economic Analysis, Regional Economic Accounts, Regional Definitions, “Per Capita Real GDP by State.” <http://www.bea.gov/regional/definitions/>