

ECONOMIC CONDITIONS in New Hampshire



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**2004 Annual Average
Employment.....2**

**Local Area
Unemployment
Statistics.....5**

**Current
Employment
Statistics6**

**For Additional
Information8**

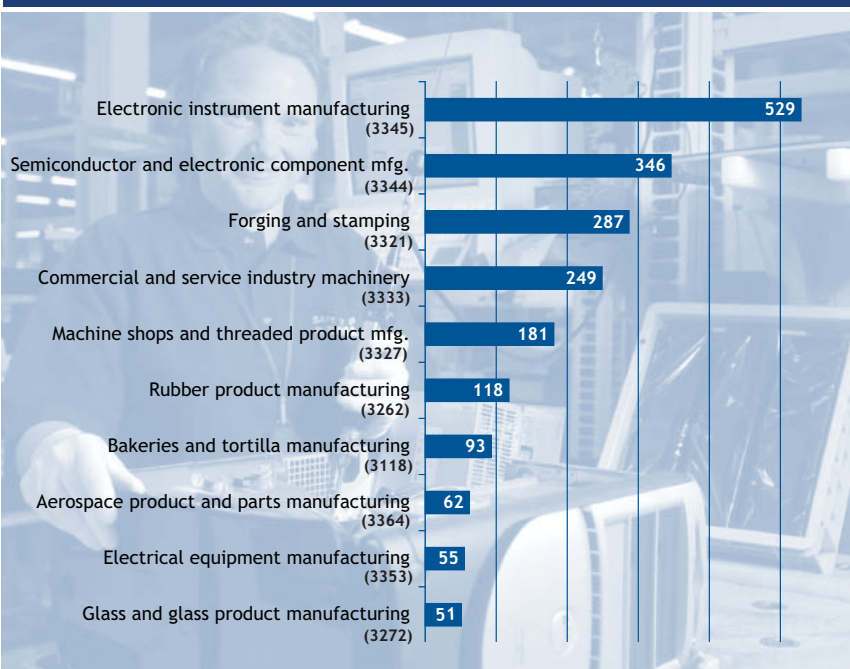
A focus on Manufacturing - a detailed industry perspective...

The Manufacturing sector's average annual covered employment showed a net loss of 216 jobs over-the-year from 2003 to 2004. However, beneath the overall job loss, a lot of job shifting (layoffs and hiring) occurred. This dynamic movement of jobs is not unique to the Manufacturing sector. It occurs in every sector, and is more pronounced in industries with a high turnover rate. So, even though there was a minor net loss in employment in Manufacturing, many new jobs were created. In addition, some people left their jobs because of retirement or other reasons, and these vacancies needed to be filled as well.

In the following analysis we are not looking at all the job shifting occurring in Manufacturing but instead we are trying to analyze net changes in jobs at the industry group level (Four-digit NAICS) from 2003 to 2004. Even though this does not give a precise picture of the job shifting that occurs, it gives a more in-depth perspective of which manufacturing industry groups are gaining employment and which industry groups are losing.¹ In other words, a slight decline in Manufacturing, overall, is covering up large declines in certain manufacturing industry groups while other manufacturing industry groups are gaining significant amounts of employment.

Continued on page 2

Net Employment Gains in Manufacturing from 2003 to 2004



Note: Four-digit NAICS codes are in ()

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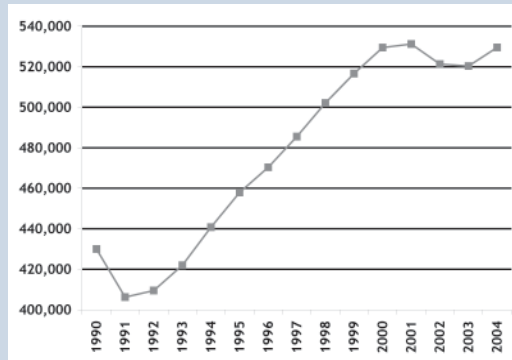
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Examining manufacturing employment change at the four-digit level makes us aware of a couple of surprising

2004 annual average employment data shows New Hampshire is on the rebound

Annual averages for 2004 covered employment have recently been released. In comparison to the prior year's annual average, 2004 private employment showed an increase of 1.8 percent. This is the first year since the 2001 recession that the state experienced an over-the-year increase in private employment. In addition, this is also the first time since the recession that Manufacturing had not seen the largest net decline in jobs among the 21 industry sectors. Over-the-year 2003 to 2004, Transportation and warehousing lost more than 250 jobs, equivalent to two percent of its employment base.

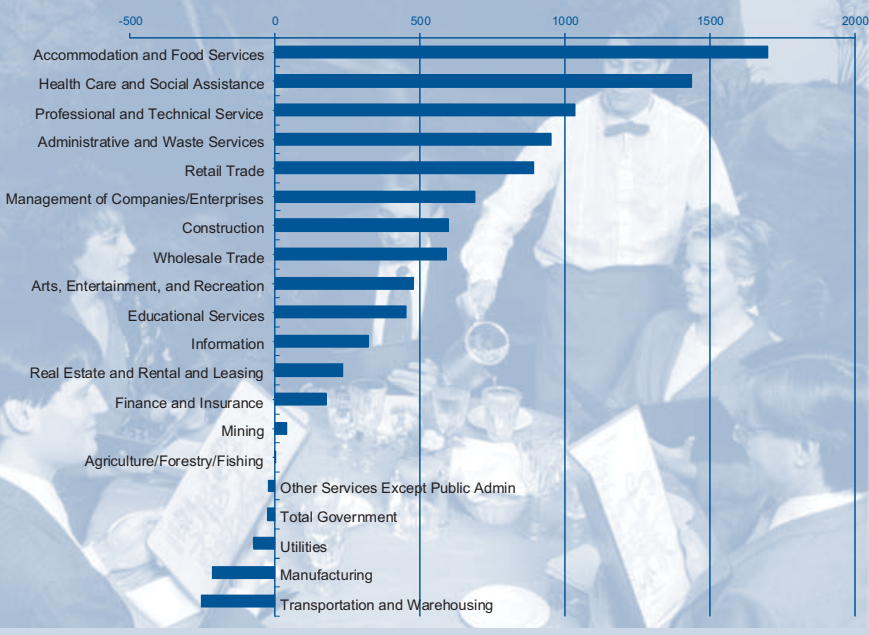
Total Private Employment, New Hampshire Statewide



After a couple of years with declines, the Professional and technical service sector has come back with a strong growth of four percent from 2003 to 2004, adding more than 1,000 jobs to the New Hampshire economy.

If you would like to find more detailed information on 2004 covered employment data in New Hampshire, go to <http://www.nhes.state.nh.us/elmi/covempwag.htm>.

Net Changes in Employment at the Sector Level 2003 to 2004



details. Two of the high-tech manufacturing industry groups gaining the most employment from 2003 to 2004 were among the high-tech industries that lost significant numbers of jobs in the aftermath of the 2001 recession. From 2000 to 2003, Semiconductor and electronic component manufacturing lost half of its employment from about 13,000 workers to approximately 6,600. Electronic instrument manufacturing did not experience as sharp a decline from 2000 to 2002, and this industry group has, since then, been on an increase. From 2003 to 2004 this industry group increased by more than 500 jobs, the most of any of the manufacturing groups, and Electronic instrument manufacturing is now at an employment level close to its pre-2001 recession level of more than 7,500 jobs. It is likewise good news that another high-tech manufacturing industry group, Electrical equipment manufacturing, after losing 300 jobs from 2001 to 2003, added 55 jobs from 2003 to 2004. This industry group accounted for 798 jobs in 2004.

By adding 287 jobs over-the-year 2003 to 2004, Forging and stamping close to doubled. But this is after having nearly halved its employment from 2000 to 2002. The average annual employment in 2004 of 612 has not yet regained to the pre-recession level of 691 jobs in 2000.

Bakeries and tortilla manufacturing is growing by 17.8 percent over-the-year, a strong growth for otherwise declining food manufacturing industries. Another industry group, Animal slaughtering and processing, experienced a net loss of 551 jobs. Probably, most of the losses in this industry group can be attributed to one plant closure in February 2004.²

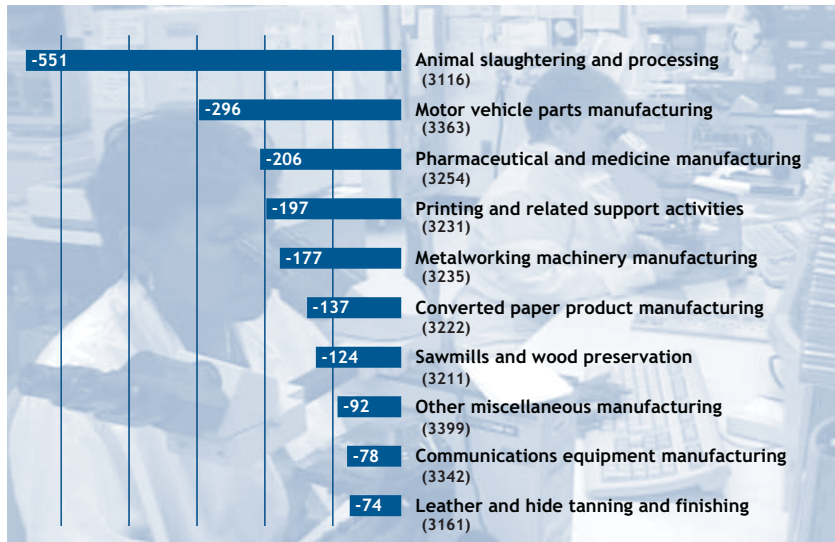
The biotech industry, normally considered a potential high-growth area, lost 206 jobs in Pharmaceutical and

Continued on page 3

medicine manufacturing from 2003 to 2004, a decline of 23.5 percent. This decline comes after one year of average growth and following two years of high growth. (From 2001 to 2002, this industry group grew by more than 25 percent.) Nationally, this industry group lost 4,600 jobs from 2003 to 2004, but this only accounts for a 1.6 percent decline. Despite the high growth in health care services and in certain parts of the biotech industry, medicine manufacturing is currently losing jobs and in the long term will probably not experience growth. The production of medicine is experiencing the same trend as many other mass producing industries - either it will go overseas or its workers will be replaced by automation. It is hence

Continued on page 8

Net Losers in Manufacturing over-the-year 2003 to 2004



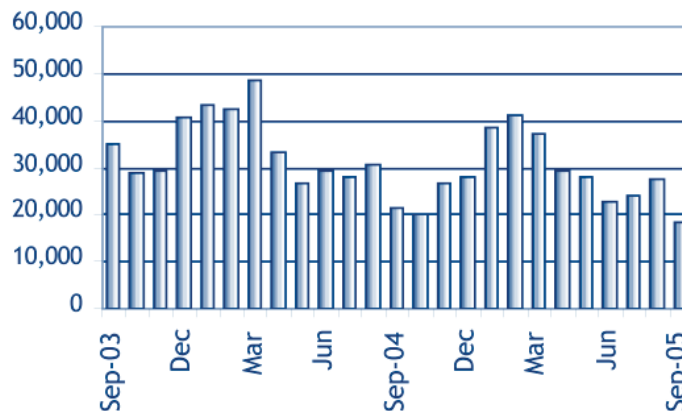
Note: Four-digit NAICS codes are in ()

Unemployment Compensation Claims Activity

Total Regular Unemployment Compensation Programs:	Sep-05		Aug-05		Sep-04		Change from Previous				
							Month		Year		
	Net	Percent	Net	Percent	Net	Percent	Net	Percent	Net	Percent	
Initial Claims	2,781	2,963	2,853	-182	-6.1%	-72	-2.5%				
Continued Weeks	18,438	27,458	21,405	-9,020	-32.9%	-2,967	-13.9%				

Unemployment Compensation Fund

Unemployment compensation fund balance at the end of September	\$265,391,617.43
Average payment for a week of total unemployment:	\$261.68
Net benefits paid:	\$3,505,931.97
Net contributions received during the month:	\$174,230.30
Interest Received:	\$3,119,930.01
Reed Act Distribution:	\$0.00
Reed Act Withdrawal for Administrative Costs:	\$3,194.40



Claims Activity

Trust Fund

Continued Weeks Claimed

Sep 2003 - Sep 2005

For the first time since April 2001 (the beginning of the recession), September's continued weeks claimed were below 19,000.

Sep-05	Aug-05	Sep-04	Change from Previous	
			Month	Year
198.8	196.4	189.9	1.2%	4.7%

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

Consumer Price Index

Continued from page 3

no surprise that a similar type of mass producing industry, Motor vehicle part manufacturing, also saw a decline of close to 300 jobs over-the-year.

One area within biotech that is experiencing growth is the research and development part of the industry. From 2003 to 2004, Scientific research and development services (NAICS 5417), nationwide, grew by 1.8 percent, somewhat faster than the 1.3 percent growth rate for total U.S. private employment. In comparison, Scientific research and development services in New Hampshire grew by 11.2 percent from 2003 to 2004, after a decline from 2002 to 2003 of close to 20 percent. Both nationwide and in New Hampshire, Scientific research and development services (NAICS 5417) has an employment base twice the size of that employed in Pharmaceutical and medicine manufacturing (NAICS 3254).

This more detailed analysis of the Manufacturing sector gives a different perspective of an industry that has suffered recent job losses. This sector is as vibrant as other sectors in the New Hampshire economy. Instead of despairing the "doom" of New Hampshire Manufacturing, attention should be focussed on the growing manufacturing industries while accepting that other manufacturing industries are on the decline.

Annette Nielsen

¹ At the four-digit level some of the industry groups are not disclosable. Hence, in the following ranking of the industry groups gaining and losing the most employment, only disclosable data is included.

² Rebecca Kaufman, Manchester Has Less Than Two Months to Prepare, New Hampshire Public Radio, December 24, 2003 <www.nhpr.org/node/5534>

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