

# New Hampshire Economic Conditions

August 2011

## What Makes up New Hampshire's Per Capita Personal Income?

New Hampshire's per capita personal income grew from \$34,087 in 2000 to \$44,084 in 2010. This ranked ninth highest among the states, and represented a 29.3 percent increase over the decade. However, due to price changes, the value of the dollar is constantly changing. That is why comparisons using current (unadjusted) dollars over time as a measure of economic well-being can be misleading. Adjusted dollars convert current dollar values to account for inflationary effects, which allows the purchasing power of dollars to be compared from one year to another. After the 2000 per capita value is adjusted for inflation

to 2010 dollars the purchasing value is equivalent to \$43,164.<sup>1</sup> Using these dollars adjusted to 2010 prices, there was an increase of 2.9 percent in purchasing power over the decade.

Personal income is the income that is received by persons from all sources. It includes wage and salary disbursements and supplements, proprietors' income with capital and inventory adjustments, rental income with capital adjustments, personal dividend, interest and transfer income. Contributions for government social insurance are then subtracted. To obtain the per capita personal income value, total personal

### Contents

#### Seasonally Adjusted Estimates

Unemployment Rates . . . . . 3

Current Employment Statistics . . . . 3

#### Not Seasonally Adjusted Estimates

Unemployment Rates . . . . . 4

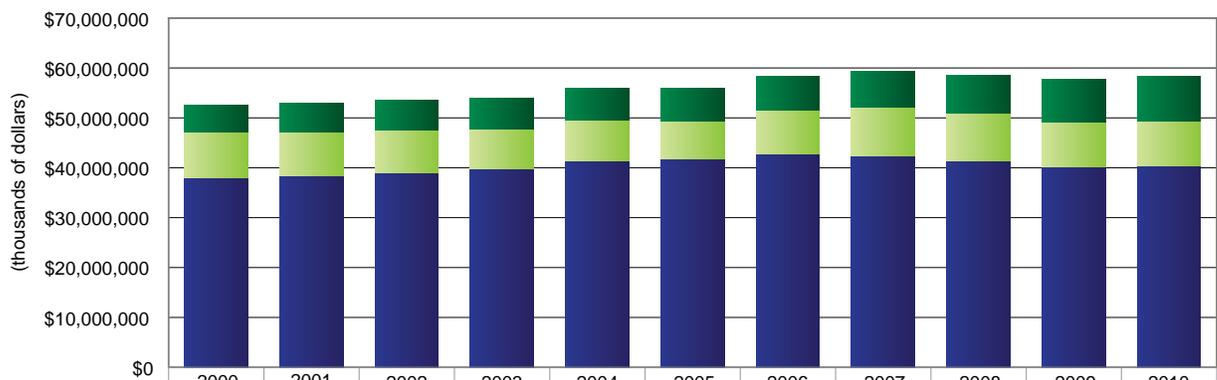
Current Employment Statistics . . . . 6

Claims Activity . . . . . 7

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1. The CPI inflation calculator uses the average Consumer Price Index for a given calendar year. This data represents changes in prices of all goods and services purchased for consumption by urban households. This index value has been calculated every year since 1913. For the current year, the latest monthly index value is used.

### Selected Components of New Hampshire Total Personal Income – Adjusted 2010 Dollars



income is then divided by the resident population. Per capita personal income is frequently used to compare incomes in different states because states with a larger population would understandably have a larger total personal income.

New Hampshire's per capita personal income has historically ranked in the upper third among all states.

### Trends in Total Personal Income

In 2000 New Hampshire's economy was at its peak, prior to the 2001 recession. Using 2000 as the benchmark provides insight to trends that have occurred during the decade. Since wage and salaries are a large component, total personal income in the state followed a similar trend as the total covered employment in the state. Total personal income had slower growth in the years immediately following the 2001 recession, and recovered with stronger growth in 2005 through 2008. New Hampshire was slower joining the most recent economic downturn, which was marked as officially beginning in December 2007, and the state really wasn't affected until the third quarter of 2008, after the financial crisis.

### Selected Components of Personal Income

The growth in total personal income was highly influenced by the trends in employment in the state because the *earnings by place of work* component contributes roughly 70 percent of total personal income. *Earnings by place of work*, adjusted to 2010 dollars, grew from 2000 through 2006 following the increases in employment. From 2007 through 2009, earnings by place of work declined each year as a result of shrinking employment from the recession.

*Dividends, interest, and rent* is another component of personal income that illustrates changes the recent recessions have had on personal income in New Hampshire. This component of personal income (adjusted to 2010) shrank over-the-year in 2001, 2002 and 2003. There was a slight increase in 2004, only to decline again in 2005. There were larger increases in *dividends, interest, and rent* in 2006 and 2007 but the over-the-year increase was smaller in 2008. The full effects and aftermath of the financial crisis in 2009 and 2010 contributed to annual declines in this component.

Income from *personal transfer receipts* has increased each year since 2000. This component represents payments to persons for which no current services have been performed. Some of the sources included are retirement, disability, and medical payments, and – the portions that reflect current economic conditions – income maintenance benefits and unemployment compensation benefits. Higher unemployment in New Hampshire helped boost these personal transfer receipts, at the same time earnings by place of work was declining because of fewer jobs. In addition, a portion of the American Recovery and Reinvestment Act of 2008 (ARRA) extended the length of time individuals could collect unemployment benefits. This contributed significantly to the over-the-year increases in this component in 2009.

Despite the economic setbacks of the past couple of years, per capita income and its purchasing power did increase by 2.9 percent from 2000 to 2010.

*Anita Josten*