

# New Hampshire

## Economic Conditions



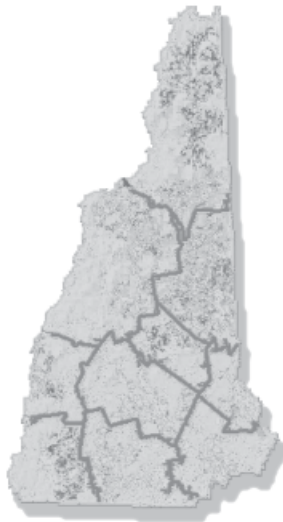
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## Venture Capital in New Hampshire Money raised in first quarter of 2007 nearly matches all of 2006

New Hampshire firms received \$71 million dollars in venture capital funding in the first quarter of 2007, nearly equaling the amount received during the all of 2006 when \$76 million went to companies located in the state.

In eight separate transactions, investors pumped money into a diverse range of industries; Industrial and Energy (\$27 million), Telecommunications (\$18 million), Medical equipment (\$18 million), and Software (\$8 million) sectors received most of the funding.

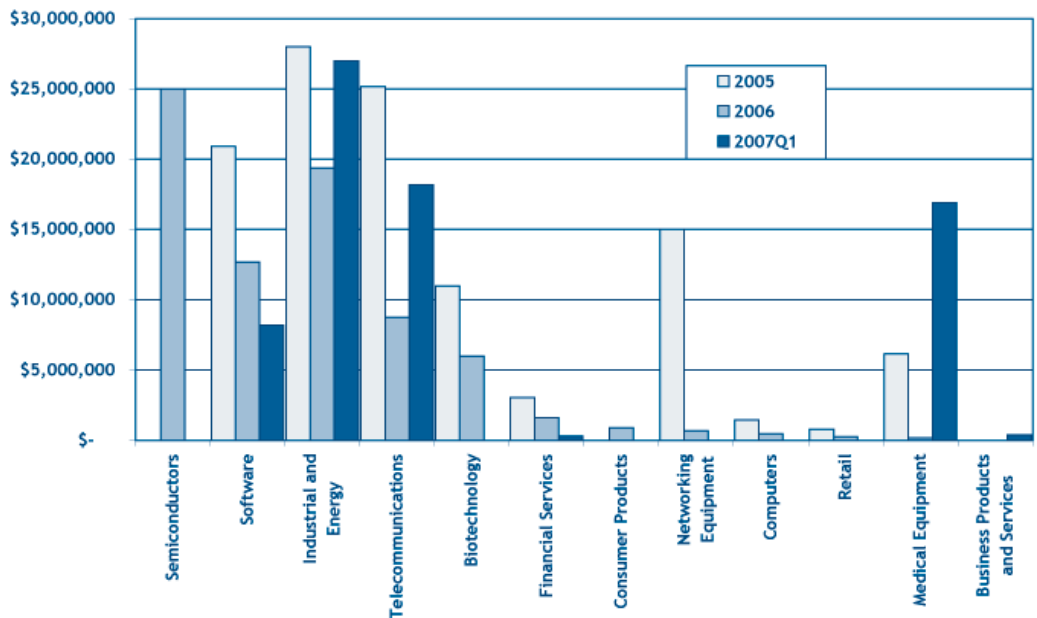
While it is too early to call it a trend, it is, nonetheless, a positive devel-

opment given the relatively low levels of venture capital receipts during the last few years. Venture capital dollars invested in the state peaked in 2000 at nearly \$750 million. A year later, the national economy went into a downturn, and investors pulled back for a few years. Total investments dropped to \$225 million in 2001 and continued to decline, reaching a nine-year low in 2006.

High-tech industries were among the industries hardest hit. At the 2000 peak, Networking equipment alone accounted for \$225 million in venture capital funding.

It is encouraging to see that the leading venture capital recipients in 2006 were

Venture capital dollars received by Industries can vary significantly from year to year



companies in the Semiconductor and Software industries. More than \$25 million went to Semiconductors and nearly \$13 million to Software, suggesting that the slowdown in those industries may be turning around.

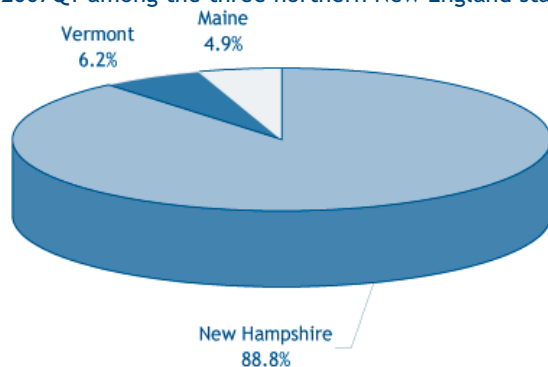
Growing companies need money. An entrepreneur with a great idea or a new product may need to raise cash to expand the business and get the product to market. One of the ways to get cash is to borrow it, but lenders may not be willing to fund projects where there is a high risk of default on a loan.

Venture capital firms are willing to assume the risk in return for the possibility of a large payoff. Venture capital is equity funding provided to fast-growing companies by professional investors who hope to get a good return on investment. In other words, the investors get a piece of the company. Funding can be by a direct cash investment or a private placement of securities.

Venture capital investors are often involved in the management of the company, especially in the start-up phase. Investors can have a seat on the board of directors, lending their expertise to major management decisions. The ultimate goal of the venture capitalist is to take a profit in the long term, either through a merger, acquisition, or an initial public offering (IPO) where the public can buy stock in the company.

So far, 2007 shows some encouraging signs, but it is difficult to predict when and how much venture capital will be invested and what industry sectors will take in the most funds. The first quarter 2007 report is promising, but there is no guarantee that receipts in the future will follow the same trend.

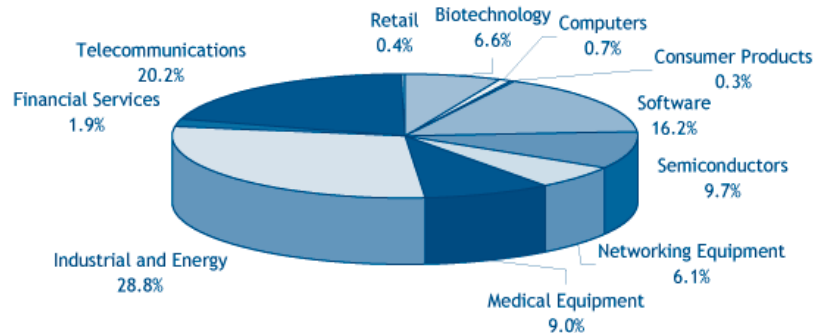
New Hampshire had the largest share of venture capital received in 2006-2007Q1 among the three northern New England states



### Venture Capital in New England and the U.S.

In the four quarters of 2006 and the first quarter of 2007, U.S. firms received a total of \$33.1 billion. Firms in California's Silicon Valley, home of many high-tech companies, received \$11.6 billion, more than a third of the total.

Industrial and Energy companies attracted the largest share of venture capital in New Hampshire 2005-2007Q1



Closer to home, New England was the next highest region with \$4.1 billion dollars, just over 12 percent of national totals. Most of the venture capital dollars were concentrated in Massachusetts, which pulled in \$3.8 billion. New Hampshire had the largest share in northern New England, accounting for nearly 89 percent of total funding in the tri-state area, while Vermont accounted for 6.2 percent and Maine received 4.9 percent.

Industries in the Biotechnology sector received the largest amount of venture capital financing in New England during that period, with over \$1.1 billion dedicating firms in that specialty. Software industries also attracted a considerable share of funds, with \$844 million. A rising star in the region, Medical devices and equipment, attracted \$427 million of investors' money.

Venture capital can come at different stages of a company's life cycle. In New Hampshire, most of the financing from 2005 to 2007 was in the later stage—a point where the firm is generating revenue. At that point, venture capital may be in anticipation of a public offering or other buyout. Later stage financing in New Hampshire took in \$127 million, or nearly half the total, and another 38 percent went to companies in the expansion phase. Only ten percent went to firms in the early stage, while firms in the start-up stage accounted for almost three percent.

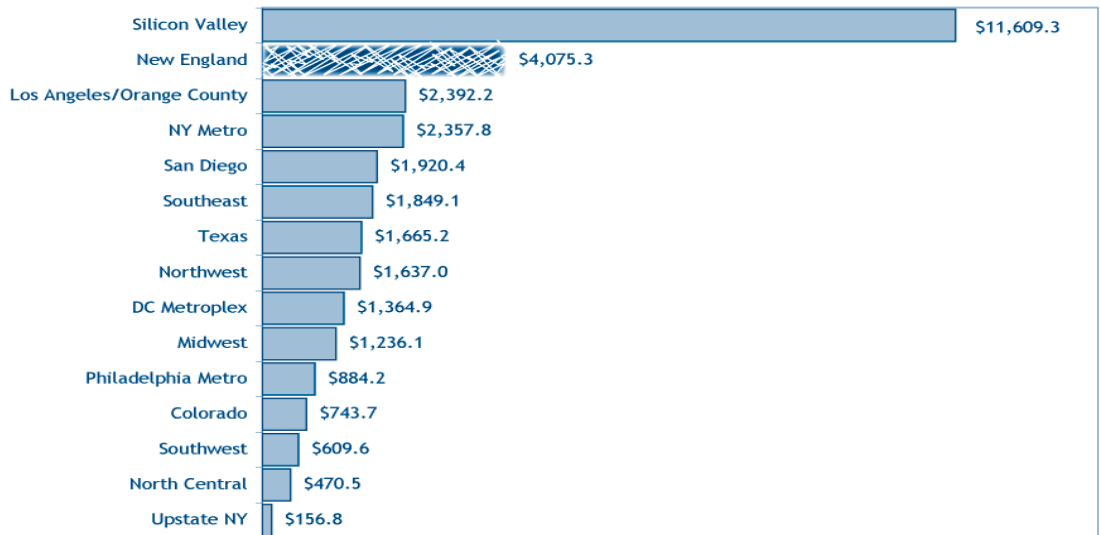
### Venture Capital and the Future

Amounts of venture capital received can be an indicator of the strength of the economy and can point

to industries that have the potential to expand facilities and increase employment. The flow of venture capital can be tracked to help predict in which industries new products, services, and jobs will be in the future.

Venture capital can vary dramatically by industry from one time period to another. All at once, a company can receive millions of dollars. In a small state, where large sums of money are magnified, an industry (most likely a single company) can receive an infusion of

Venture capital by Region 2006-2007Q1 (millions) for areas receiving at least \$100M



Continued on page 8

### Unemployment Compensation Claims Activities

### Claims Activity

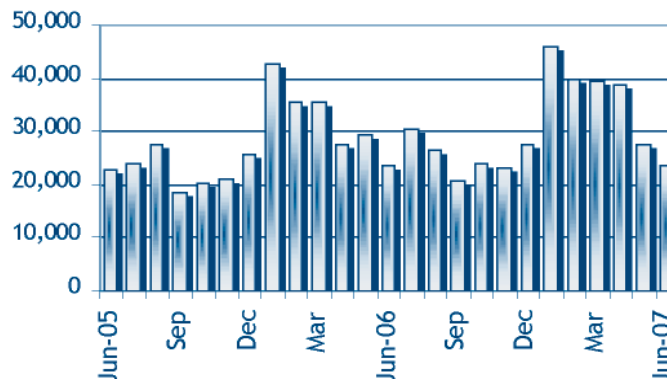
| Total Regular Unemployment Compensation Programs: |         |        |         | Change from Previous |         |      |         |
|---|---------|--------|---------|----------------------|---------|------|---------|
|   | June-07 | May-07 | June-06 | Month                |         | Year |         |
|   |         |        |         | Net                  | Percent | Net  | Percent |
| Initial Claims                                    | 4,041   | 3,140  | 4,347   | 901                  | 28.7%   | -306 | -7.0%   |
| Continued Weeks                                   | 23,690  | 27,651 | 23,448  | -3,961               | -14.3%  | 242  | 1.0%    |

### Unemployment Compensation Fund

### Trust Fund

|   |                  |
|---|------------------|
| Unemployment compensation fund balance at the end of June | \$259,100,027.07 |
| Average payment for a week of total unemployment:         | \$260.39         |
| Net benefits paid:  | \$4,947,608.69   |
| Net contributions received during the month:              | \$232,371.90     |
| Interest Received:  | \$3,055,758.28   |
| Reed Act Distribution:                                    | \$0.00           |
| Reed Act Withdrawn for Administrative Costs:              | \$90,523.95      |

### Continued Weeks Claimed



Jun 2005 - Jun 2007  
Although continued weeks claimed experienced the seasonal drop over the month, the total accumulation for the calendar year is more than 21,000 claims ahead of this time last year.

|        |        |        | Change from Previous |      |
|--------|--------|--------|----------------------|------|
| Jun-07 | May-07 | Jun-06 | Month                | Year |
| 208.4  | 208.0  | 202.9  | 0.2%                 | 2.7% |

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

### Consumer Price Index

cash in one quarter, then receive nothing the rest of the year.

Money received today may not translate to immediate increases in employment. Sometimes it may take years for a product or service to make it to full-scale production and market. Some of today's largest companies—Microsoft, Home Depot, and Intel—received venture capital funding in their early days. That is why venture capitalists take a risk, because sometimes, they can really hit it big.<sup>1</sup>

*Michael Argiropolis*

Data on venture capital in New Hampshire and throughout the U.S. is published quarterly in The MoneyTree Report™ by PriceWaterhouseCoopers, and the National Venture Capital Association based on data from Thomson Financial and is available online.

<sup>1</sup> Venture Impact. The Economic Importance of Venture Capital Based Companies to the U.S. Economy. Third Edition. National Venture Capital Association, Global Insight. Accessed July 17, 2007. <[http://www.nvca.org/pdf/NVCA\\_VentureCapital07.pdf](http://www.nvca.org/pdf/NVCA_VentureCapital07.pdf)>



NH Employment Security  
Economic and Labor Market  
Information Bureau:

**General Information**  
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NH EMPLOYMENT SECURITY  
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