

New Hampshire Economic Conditions

July 2011

Job growth in New Hampshire projected to be subdued in the short term

The most recently released short term projections for New Hampshire, covering the period fourth quarter 2010 to fourth quarter 2012, reflect a tough labor market, with meager employment growth. During this period, the state is expected to add about 7,000 jobs, growing by 1.1 percent over the eight quarters, or 0.5 percent annually. In comparison, in the long term projections from 2008 to 2018, employment growth is projected at 0.9 percent annually. Tepid consumer demand and cost control in government spending are the two main factors for the projected slow growth in the short term. Since 2000, the annual growth rate for covered employment in New Hampshire only reached above 1.0 percent in the period 2003 to 2006.

Employment projections for industries and occupations are developed for both long and short term. Long

term employment projections look at a ten-year time frame, while short term projections focus on a two-year (eight quarter) period. Though both types of projections are statistically based forward estimates of employment, long term projections reflect the structural changes in the economy, whereas short term projections follow the business cycle fluctuations.

When analyzing structural economic changes, population and income are important considerations. Over the course of ten years, the state's population can grow by thousands of residents. Between 2000 and 2010, New Hampshire expanded by 76,000 people. Population expansion translates to increased demand for housing, educational services, health care, and consumer goods. The demographic composition of the population is also an important factor when project-

ing employment in the long term. New Hampshire's population is growing older. According to the 2010 Census, the state's median age was 41.1 years, making it the fourth oldest state in the nation. Older residents create greater demand for health care services, and less demand for educational services, which in turn affects demand for workers in those industries.

Income also plays a part in estimating employment in the long term. Higher income stimulates demand for goods and services, providing employment opportunities for the workers providing those goods and services.

How an industry utilizes workers also has a significant impact on employment projections. Technology is one key factor. As automation and computerization become more prevalent, the same amount of output can be

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Figure 1. Total Employment

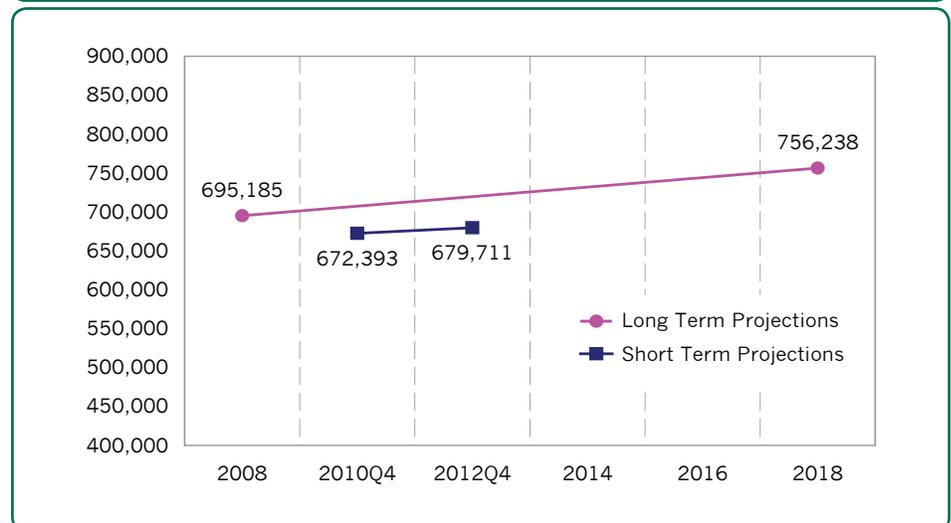
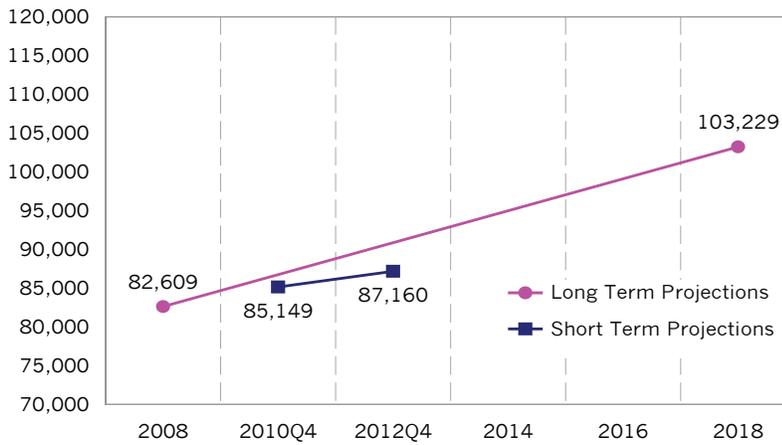


Figure 2. Health Care and Social Assistance



achieved with fewer workers. On the other hand, technology creates opportunities as well, leading to growth in research and technology related occupations.

When projecting employment over eight quarters (two years), the business cycle is an important factor. Short term projections do not ignore long term trends, but add to them. Economic factors contributing to short term business cycle fluctuations include building permits, motor vehicle sales, and consumer confidence. Specific industry changes and trends such as the impact of government budgetary constraints are also taken into consideration when developing short term employment estimates.

Since long term and short term projections are based on two different types of economic change, short term projections can be significantly different than long term projections. Another main difference between short and long term employment projections is the base from which the projection is made. The short term employment projection is a comparison from one

quarter to the same quarter two years out, whereas the long term employment estimate is based on an annual average. Due to seasonality, there are variations in the level of employment between a quarterly and annualized count, depending on the industry. As the current long term employment projections use the base year 2008 (prior to the impact of the Great Recession on the New Hampshire labor market), the level of employment in the base period of the current short term pro-

jection is much lower. From 2008 to 2010, New Hampshire covered employment shed over 28,000 jobs.

Comparing long term and short term trends on one graph illustrates the difference between the two projection types. The slope of each line indicates the projected rate of growth for each projection, while the end points represent the estimated employment at the beginning and the end of each projection period.

Total employment growth in the short term is projected to be slightly weaker than the long term, highlighting a continuing lack of employment growth for the near future (see Figure 1). The rate of growth for 2010 Q4 to 2012 Q4 is projected to be 0.5 percent annually. The long term is projected to increase by 0.9 percent annually from 2008 to 2018.

Health Care and Social Assistance (Figure 2) includes public and private establishments in Ambulatory health care services, Hospitals, Nursing and residential care facilities, and Social assistance. The long term rate of growth is projected at 2.3 percent annually, the fastest rate of growth for

Figure 3. Educational Services

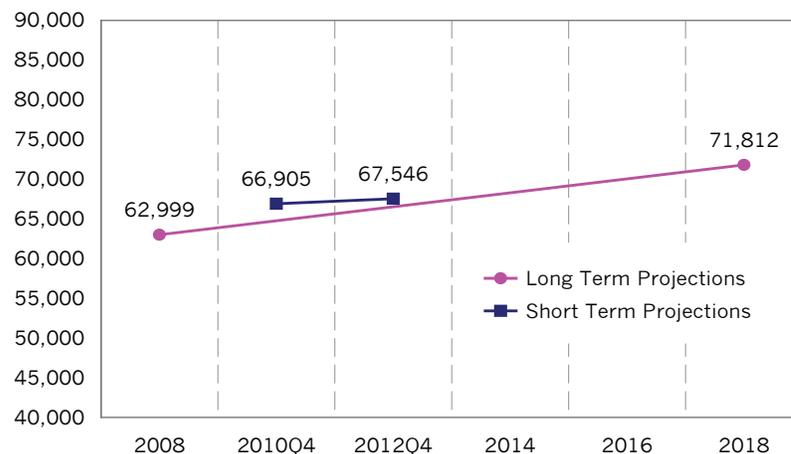
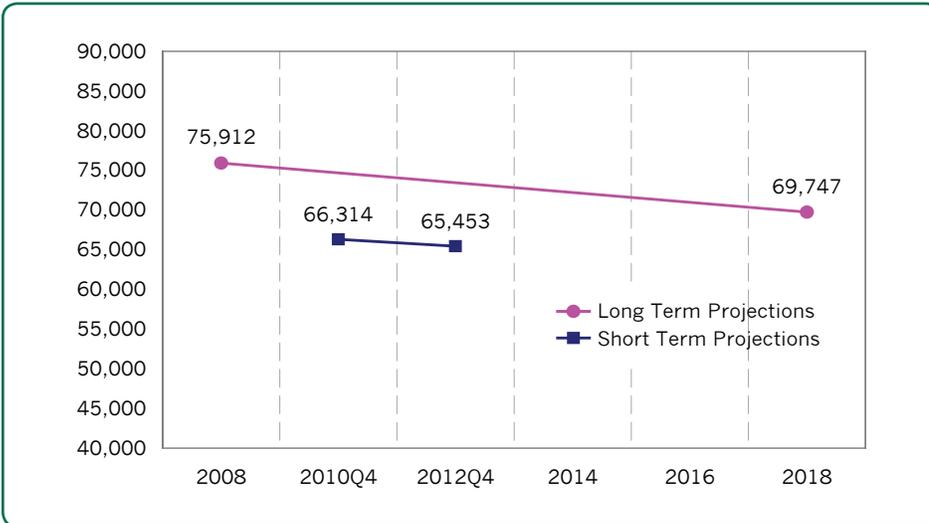


Figure 4. Manufacturing



any industry sector. In the short term, even Health care is expected to feel the effects of the poor economy, but is still projected to grow by 1.2 percent from 2010 Q4 to 2012 Q4.

In the short term projection, employment in Educational services (Figure 3) is above the average estimated level. One factor is that the level of employment in Educational services is higher in fourth quarter than the annual average for the industry. Educational

services includes state and local government educational establishments, and government budgetary issues will have an effect on employment levels for this industry. The short term rate of growth is projected at 0.5 percent, much lower than the long term growth rate of 1.3 percent.

The short term employment projection for Manufacturing (Figure 4) is not diverting from the long term projection, in the sense that negative growth is expected. The negative rate of growth is 0.8 percent in the long term and 0.7 percent in the short term. The level of employment in fourth quarter 2010 is significantly below the 2008 annual count, reflecting the employment losses in Manufacturing due to the Great Recession. Despite some improvement in this sector since the depth of the recession, lack of demand, cost control and improved efficiencies are contributing factors to the projected decline in the short term.

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