

# ECONOMIC CONDITIONS in New Hampshire



**December 2005**  
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## Retail in New Hampshire - Let the shopping spirit be jolly!

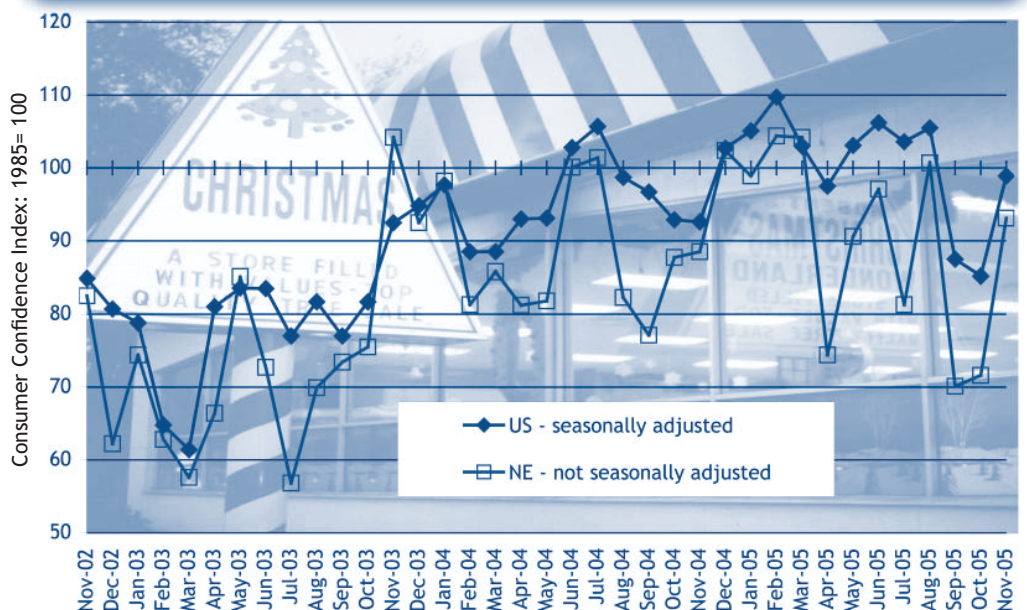
Everybody is looking at the Retail trade sector, trying to predict how well it is going to fare this holiday season. The increase in energy prices in the aftermath of Hurricanes Katrina and Rita made consumers more cautious. The consumer confidence index for New England fell to 70.1 in September from 100.7 points in August and continued to stay low in October at 71.6 points. While, the consumer confidence index rebounded in November to 93.1 points, it is still below its pre-Katrina level. The consumer confidence index for New England was a reflection of what happened to the consumer confidence index at the national level.

The main reason for the November increase was a significant decline in gas prices and an improved job outlook.

Just before Thanksgiving, the Conference Board reported that the consumer is expected to spend slightly less this year on holiday shopping than last year. According to initial reports, the outcome of Black Friday (the Friday after Thanksgiving) was also a bit mixed. In New Hampshire, traffic at the malls was good, and the attractive prices on the early bird specials especially enticed many customers to wait in lines before sunrise. The final sales numbers for the entire holiday season are therefore hard to predict!

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The Consumer Confidence Index for New England dropped to a low of 70.1 in September 2005. The Consumer Confidence Index has not been as low since August 2003.



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Because of the increased sales during the holiday season, New Hampshire's Retail trade employment normally reaches a peak in the fourth quarter. The question is; how will Retail trade employment respond to this bowl of mixed messages mentioned earlier. Analyzing the Retail trade employment growth at the subsector level might help us understand the impact that holiday spending has on the state's retail trade employment.

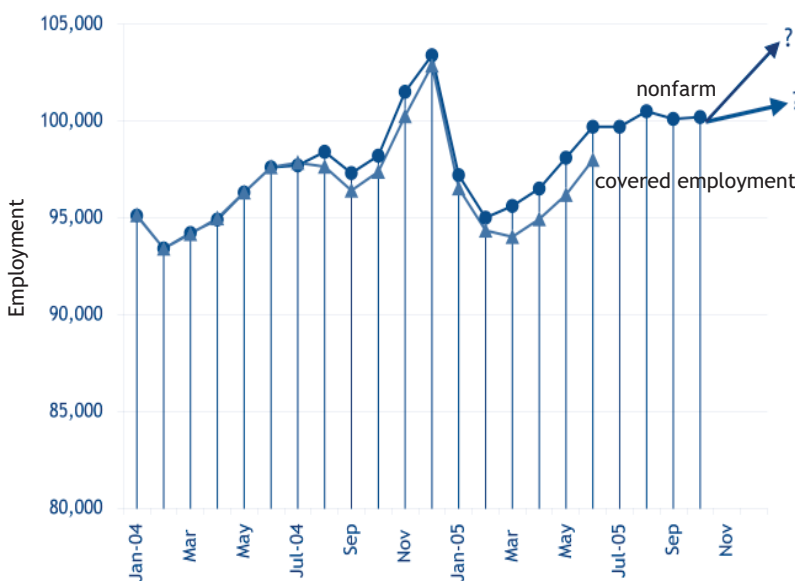
A strong Retail trade sector in New Hampshire is attributed in part to the state having no general sales tax. Over the last couple of years, Retail trade employment in New Hampshire has been on an upward trend as more businesses have capitalized on the tax-free environment in New Hampshire as an attraction to out-of-state as well as in-state customers. Another reason might be that the Granite State for the last couple of years ranked first in the nation in Median household income. Covered employment data can show which Retail subsectors are experiencing employment growth and which are not.

At first glance it might seem to be an advantage to shop tax-free when the consumer is buying a car. However, the out-of-state consumer would have to pay the local sales taxes when registering their car in their home state, thereby making it no more attractive for the consumer to shop in New Hampshire. The location quotient for Motor vehicle and parts dealers in New Hampshire is 1.38.<sup>1</sup> This shows that the state has a higher share of employment in this subsector than the nation. The equivalent location quotients for neighboring states south of New Hampshire are all below 1 (Massachusetts 0.81, Connecticut 0.93, and Rhode Island 0.83). The location quotients for Vermont and Maine are above 1 but still not as high as New Hampshire. (Vermont 1.16 and Maine 1.21.) So it is likely that the lack of public transportation in rural areas boosts the number of cars available in a household. According to American Community Survey 2004, New Hampshire has the highest percentage of occupied households with 2 vehicles available and the lowest percentage of occupied households with no vehicles available.

Motor vehicle and parts dealers represent the third largest Retail trade subsector in the state and it has experienced a large employment gain over the last four years of more than 750 covered jobs, despite a slight decrease from 2003 to 2004. In contrast to the overall increase in Motor vehicle and parts dealers, at the industry group level, Auto parts, accessories, and tire stores (NAICS 4413) experienced a slight decline of more than 100 jobs over the four-year period. Recently, with the car producers running out of new discount policy options to attract more customers, Motor vehicle and parts dealers are

<sup>1</sup> An LQ greater than 1 indicates an industry with a greater share of the local area employment than is the case in the reference area. For example (assuming the U.S. as the reference area), Las Vegas will have an LQ greater than 1 in the Leisure and Hospitality industry because this industry makes up a larger share of the Las Vegas employment total than it does for the country as a whole.

Retail Trade Employment is up 2,000 Jobs over-the year in October 2005



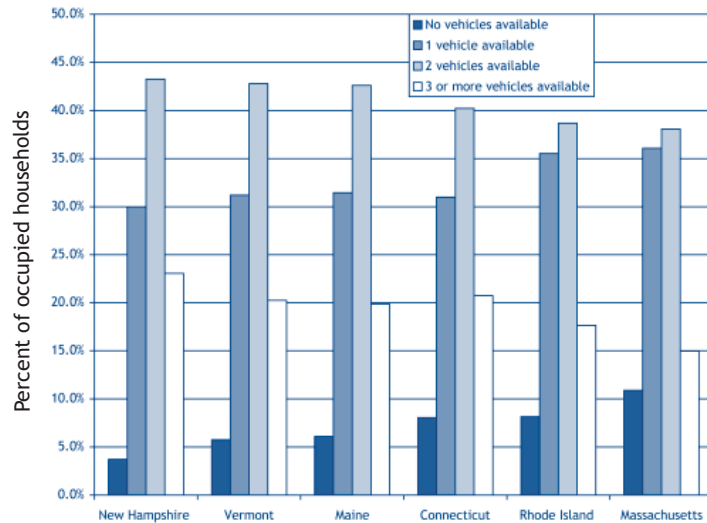
likely to stay at their current employment level for 2005.

Another important contributor to the growth in Retail is population growth. From 2000 to 2004 the Granite State's population grew by 4.8 percent. Despite this population growth, employment in Food and beverage stores has stayed the same. Because the State owns the liquor stores in the state, only very few were privately employed in Beer, wine, and liquor stores (NAICS 4453). The rest of the employment in Food and beverage stores was in Food stores.

On the other hand, population growth has led to an increased need for housing in New Hampshire. According to New Hampshire Office of Energy and Planning the number of housing units in the state has increased from 546,524 in 2000 to 588,443 in 2004. This means that at least 41,919 new housing units have been constructed as the total count for 2004 reflects additional permits minus demolitions. In addition, the general growth of the housing market and recent historic low interest rates have encouraged many homeowners to refinance or borrow money against their home equity. Some of the available cash has been used to improve the housing stock. These two factors (new construction and remodeling) help explain why Building material and garden equipment and supplies dealers experienced the largest growth of any of the Retail trade subsectors from 2000 to 2004. This subsector increased with a stunning 25.5 percent (1,855 jobs). Looking at the four-digit industry group level reveals that all of the growth occurred in Building material and supplies dealers (NAICS 4441) as opposed to Lawn and garden equipment/supplies stores. Another subsector gaining from the housing boom is Furniture and home furnishing stores as most of the growth in this subsector was driven by an em-

<sup>2</sup> Home furnishing stores consist of Floor covering stores (NAICS 442210) and Window treatment stores (442291).

### Only 3.7% of New Hampshire's Households in 2004 had no vehicle available

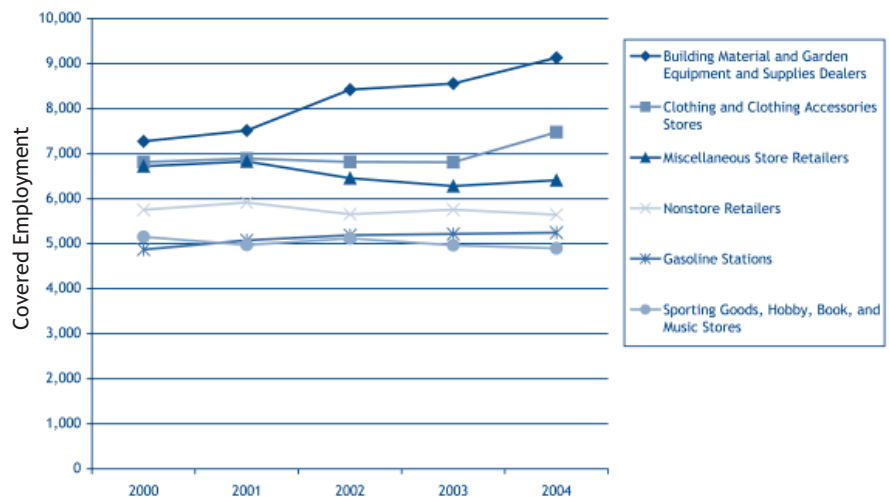


ployment increase in Home furnishing stores (NAICS 4422)<sup>2</sup> – an increase of 31.8 percent (476 jobs).

Over the four-year period Health and personal care stores experienced the largest employment decline of 6.9 percent (292 jobs). More specific, the decline happened from 2001 to 2004. The majority of this decline occurred in Other health and personal care stores (NAICS 44619) which declined by 30.1 percent over the three years period. This industry includes Food (health) supplement stores and all

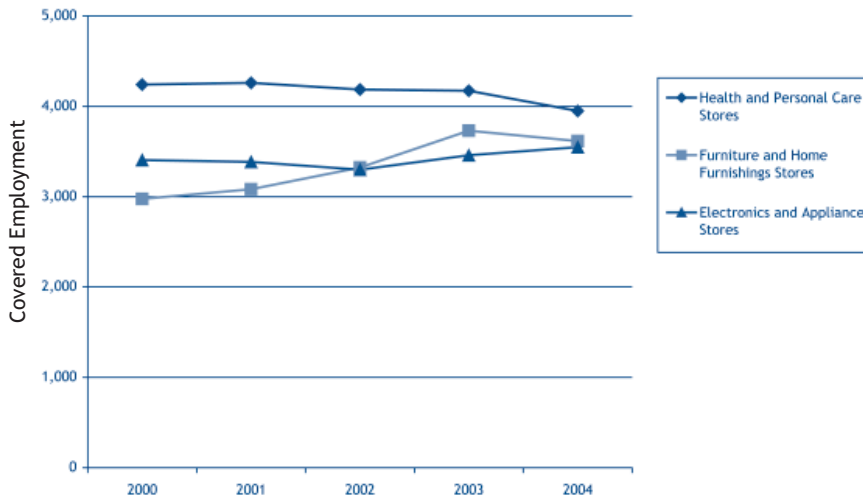
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### Building Material and Garden Equipment and Supplies Dealers have seen a dramatic increase in employment





**Furniture and Home Furnishing Stores have grown by 21.5 percent, however not a large subsector in the state**



other health and personal care stores (eg. Convalescent supply stores, Hearing aid stores, and Prosthetic stores). Pharmacies and drugstores (NAICS 44611) did decline as well by 103 jobs or 3.2 percent from 2001 to 2004. However, occupational employment data from the Occupational Employment Statistics Program show an increase of pharmacists, pharmacy technicians and pharmacy aides from November 2001 to November 2003 of about 20 percent. This might suggest that occupations traditionally related to pharmacies are employed by other sectors. The competition from on-line prescription drug companies and the greater

accessibility of pharmacies and drug-stores within supermarkets and general merchandise stores (In-store pharmacies would not necessarily report employment separately) may have caused this shift in employment.

Expansion of outlet malls in the Mount Washington Valley and the Tilton area as well as many other mall areas around Concord, Keene, Manchester, Nashua, Newington and Salem would lead us to believe that the employment in stores such as clothing and hobby would have increased. Employment in Clothing and clothing accessories stores stayed stable from 2000 to 2003, but increased by more than 650 jobs from 2003 to 2004. Close to all of the increase was attributed to an increase in Clothing stores (NAICS 4481). Over the four-year period Shoe stores (NAICS 4482) lost nearly 200 jobs.

The number of big box retailers also increased in the state, which would lead to a similar assumption of employment increase. However, employment data show a decrease in the average annual employment in General merchandise stores of more than 850 jobs. This figure disguises a decline of about 2,200 jobs in Department stores (NAICS 4521) but an increase in Other general merchandise stores (4529 NAICS) of about 1,350 jobs.

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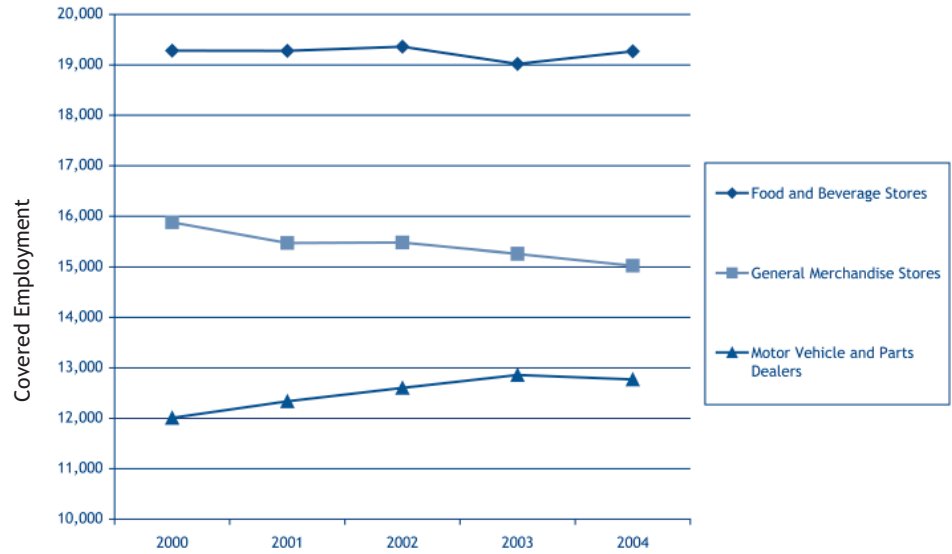
**Retail trade subsectors: 2000 to 2004 changes in covered employment**

NAICS		Average Annual Employment					Net Change	% change
		2000	2001	2002	2003	2004		
445	Food and Beverage Stores	19,281	19,279	19,359	19,020	19,267	-14	-0.1%
452	General Merchandise Stores	15,878	15,467	15,479	15,259	15,024	-854	-5.4%
441	Motor Vehicle and Parts Dealers	12,008	12,338	12,601	12,857	12,771	763	6.4%
444	Building Material and Garden Equipment and Supplies Dealers	7,278	7,518	8,427	8,560	9,133	1,855	25.5%
448	Clothing and Clothing Accessories Stores	6,819	6,896	6,823	6,816	7,481	662	9.7%
453	Miscellaneous Store Retailers	6,726	6,832	6,461	6,284	6,416	-310	-4.6%
454	Nonstore Retailers	5,759	5,922	5,660	5,762	5,649	-110	-1.9%
447	Gasoline Stations	4,868	5,076	5,190	5,217	5,243	375	7.7%
451	Sporting Goods, Hobby, Book, and Music Stores	5,151	4,974	5,116	4,964	4,898	-253	-4.9%
446	Health and Personal Care Stores	4,242	4,261	4,187	4,173	3,950	-292	-6.9%
442	Furniture and Home Furnishings Stores	2,977	3,084	3,324	3,732	3,616	639	21.5%
443	Electronics and Appliance Stores	3,407	3,387	3,301	3,460	3,550	143	4.2%

### Seasonality in Retail trade employment

Measured by the employment upswing in the fourth quarter, we assume which subsectors are more dependent on holiday season spending. Retail subsectors experiencing the strongest growth over the last couple of years (Building material and garden equipment and supplies dealers and Motor vehicle and parts dealers) are some of the subsectors less dependent on the holiday spending spree (measured by the need for employees). The only exception to this can be found at a more detailed level of analysis. Clothing stores (NAICS 4481) and Other general merchandise stores (4529 NAICS) gained substantial amounts of employment over the last four years and are also heavily dependent on the holiday season spending. Electronics and appliance stores, a subsector somewhat dependent on the holiday season, gained 143 jobs over the four-year period, after a slight downturn in employment from 2000 to 2002. Another subsector, Sporting goods, hobby, book, and music stores, also holiday shopping dependent, was down 4.9 percent over the four-year period.

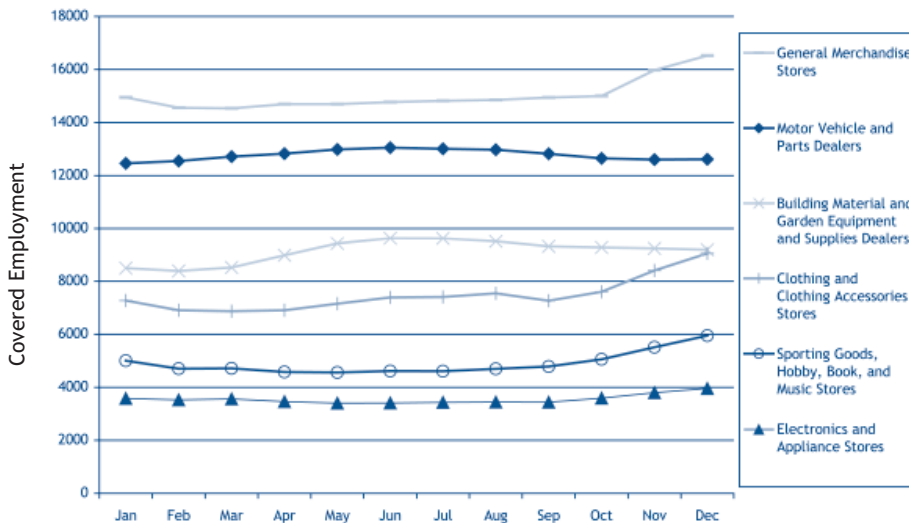
### General Merchandise stores employment declined with about 850 jobs from 2000 to 2004



Whatever way the holiday shopping season swings, employment in the Retail trade sector in New Hampshire will still stand strong. The challenge for the Retail trade sector in the next couple of years is to maintain current employment levels in Motor vehicle and parts dealers and Building material and garden equipment and supplies dealers.

*Annette Nielsen*

### Seasonality in the Retail Trade subsector employment, 2004



**Caveat:** When discussing employment in Retail, and in particular the increase in employment during the holiday season, we have to be aware that it is the number of jobs that are counted - part-time as well as full-time jobs. Many of the additional jobs created in November and December are temporary part-time jobs.