

The Party Started: How Long Can it Last For New Hampshire's Economy?

Joint Economic Briefing
New Hampshire House and Senate
Finance and Ways and Means Committees
January 9, 2017

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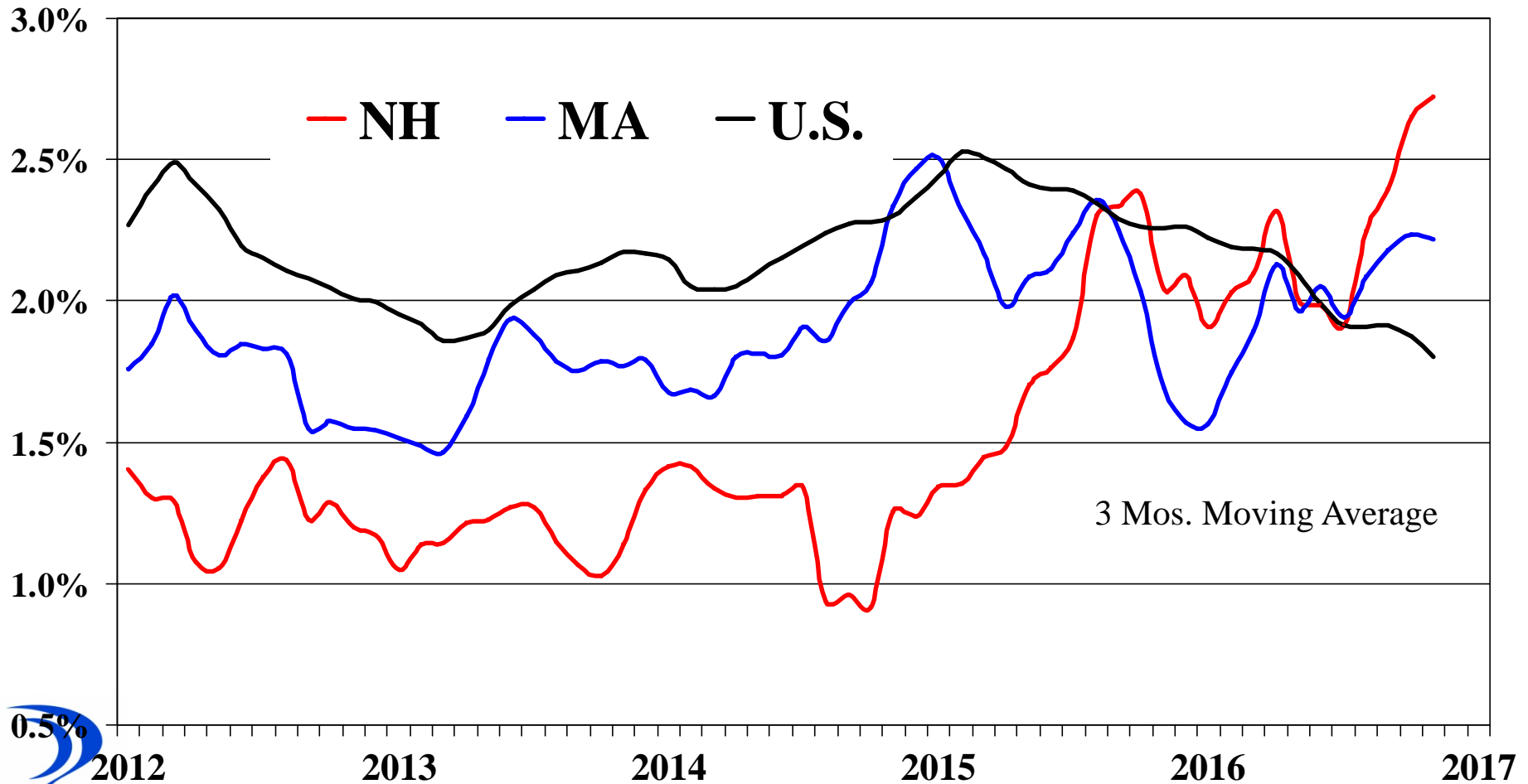
Outline

- NH's Recent and Current Economic Performance in Context
- Key Factors Influencing the Outlook for NH's Economy
- Implications for State Policy
- Implications for NH Revenues

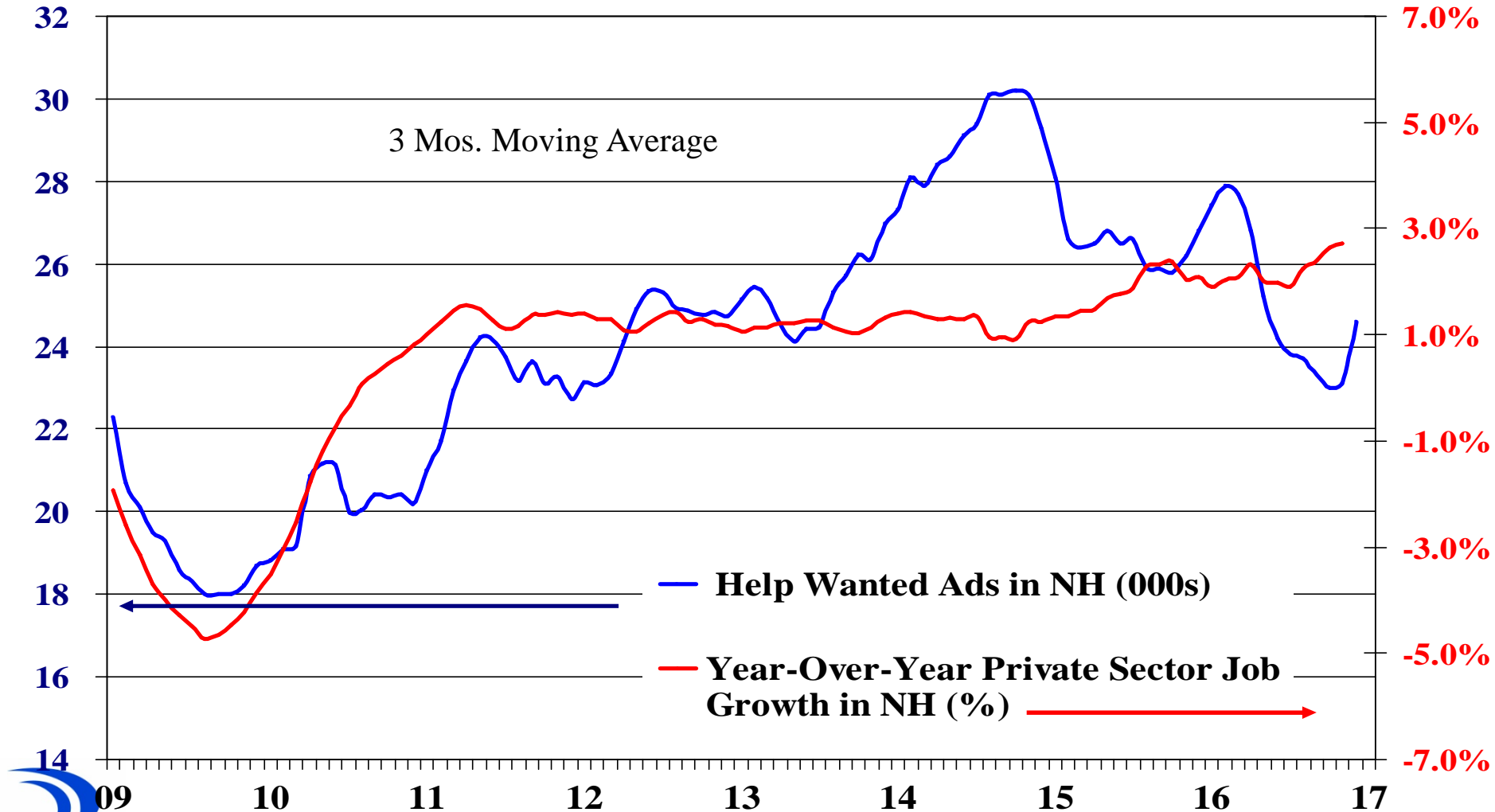


After Lagging for Much of the Recovery, Private Sector Job Growth in NH Has Accelerated Over the Past 2 Years

Yr.-Over-Yr. Private Sector Job Growth

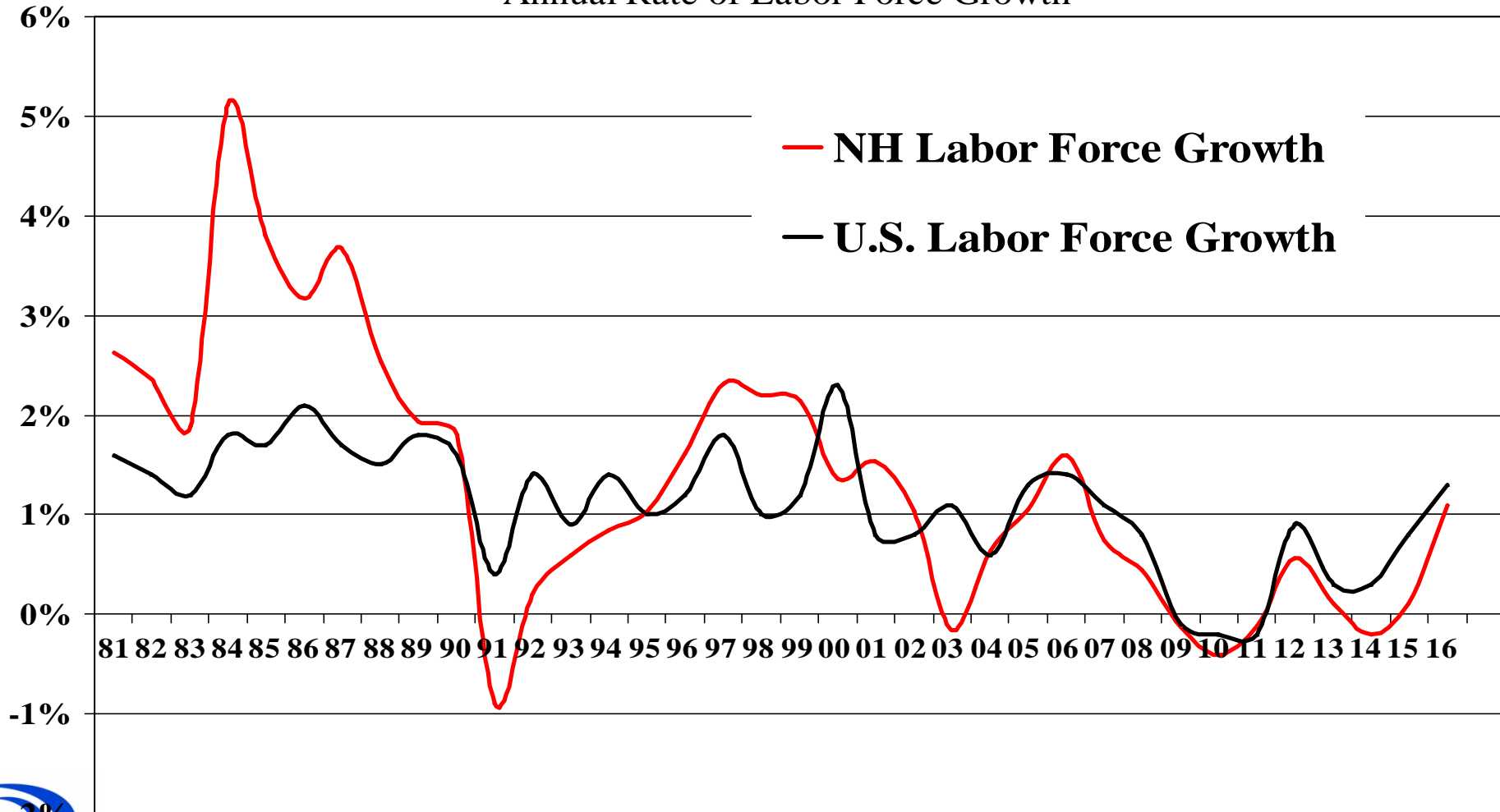


Help Wanted Ads Have Declined During the Same Time – More and Faster Hiring Reduced Repeat Ads?

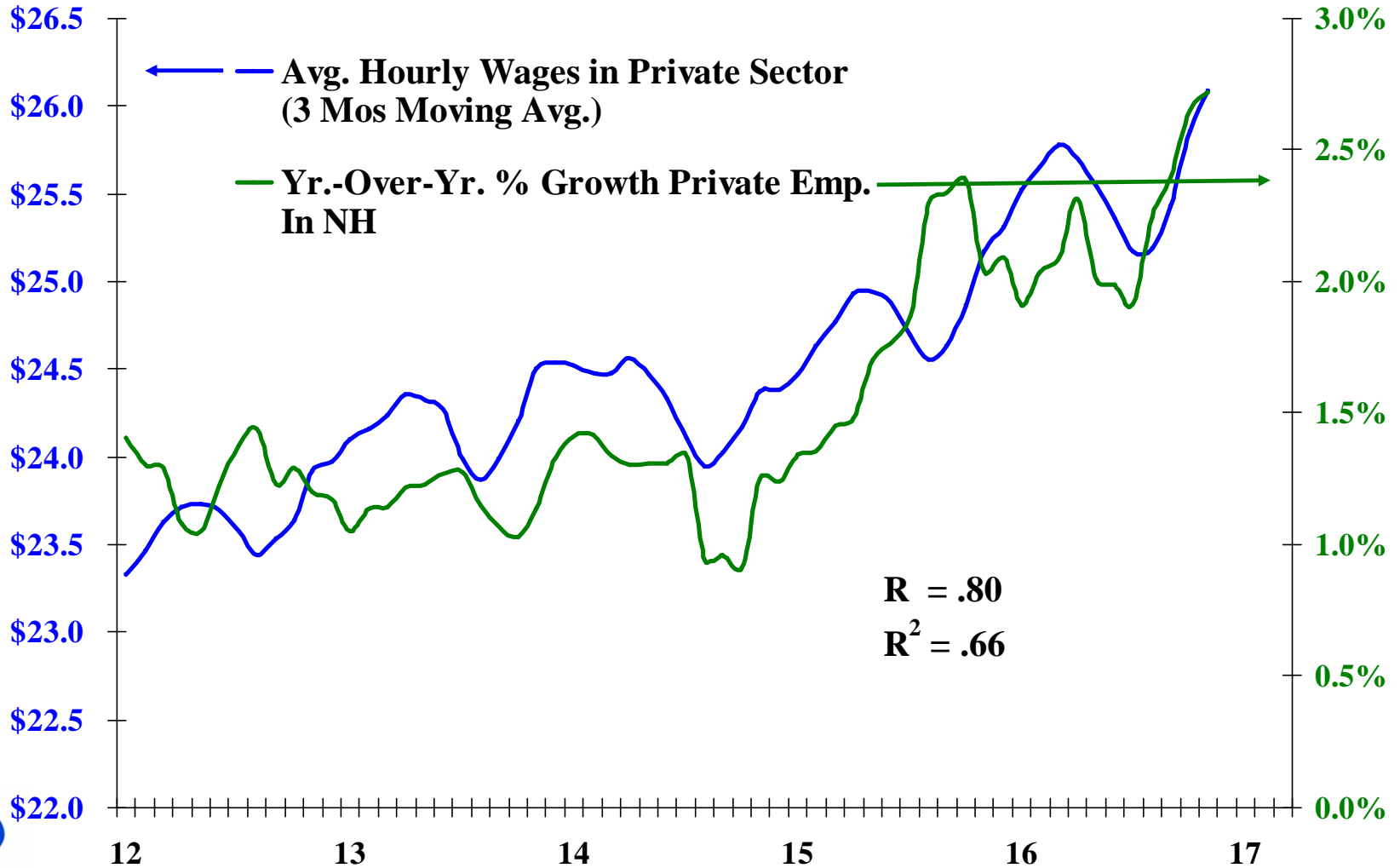


After Years of Stagnation NH's Labor Force Growth Supported Greater Job Growth

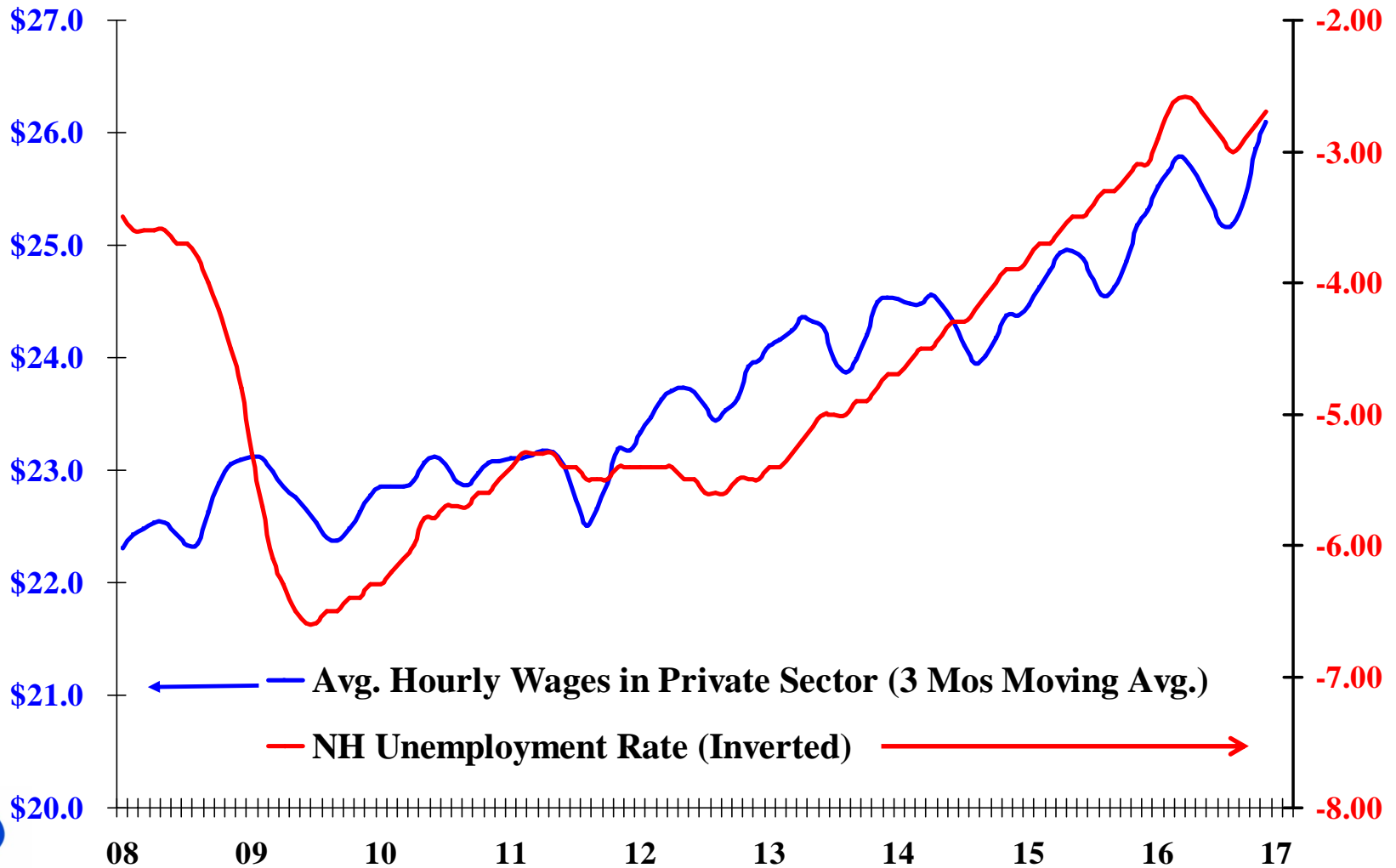
Annual Rate of Labor Force Growth



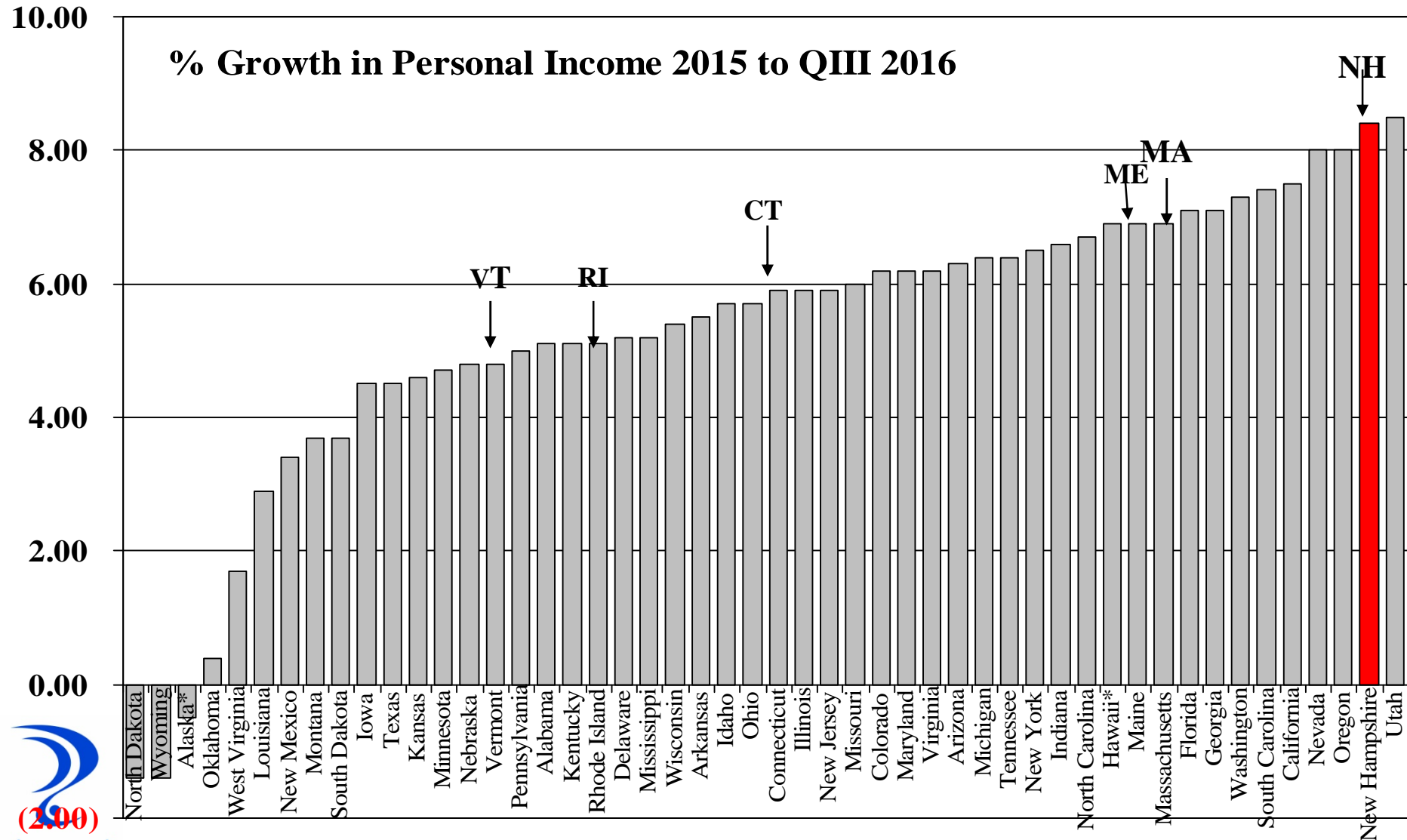
Markets Work! As Hiring Has Accelerated So Too Have Private Sector Wages



Average Wages Also Track NH's Unemployment Rate

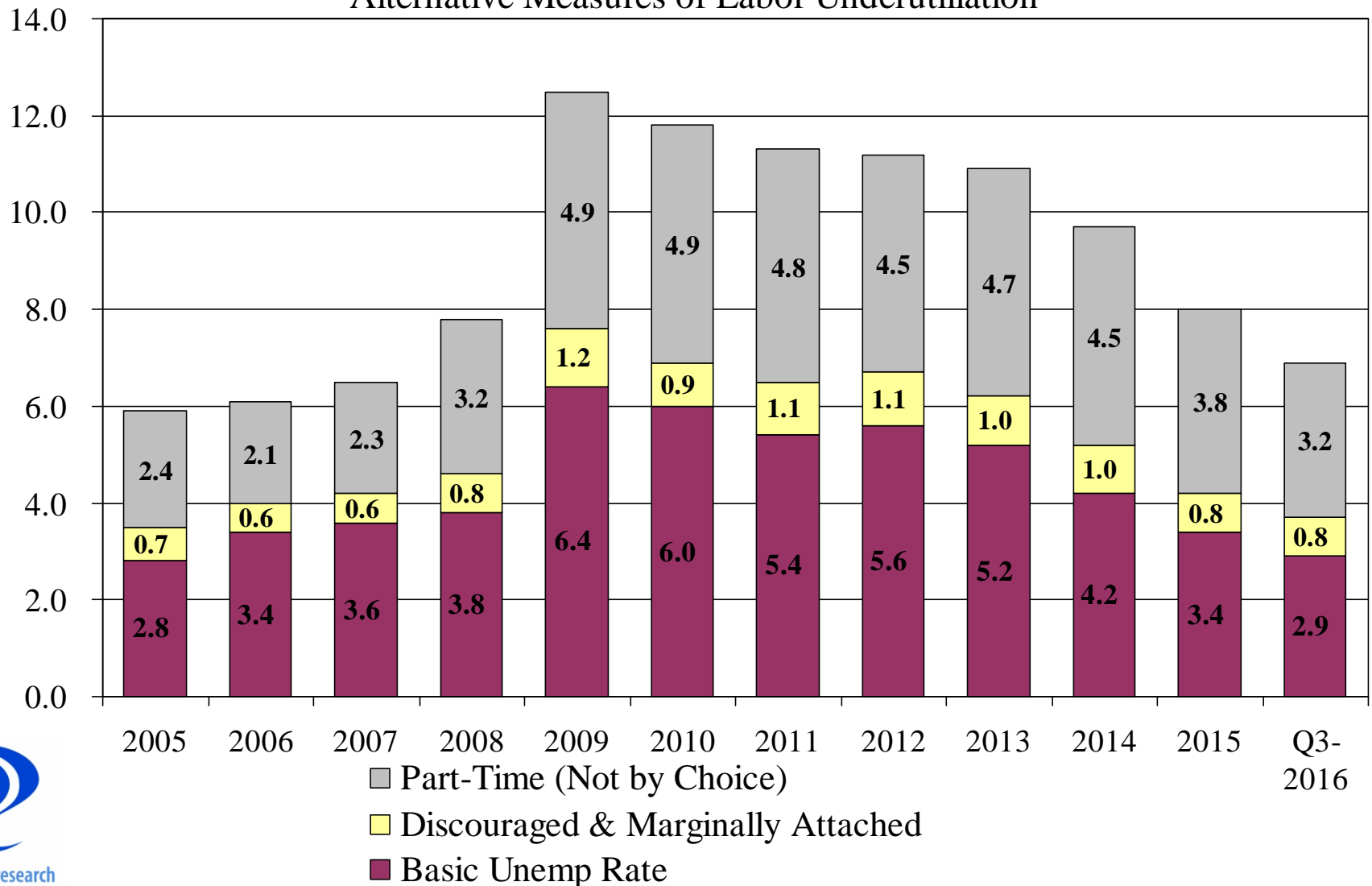


NH is Second Only to Utah in Personal Income Growth Since 2015



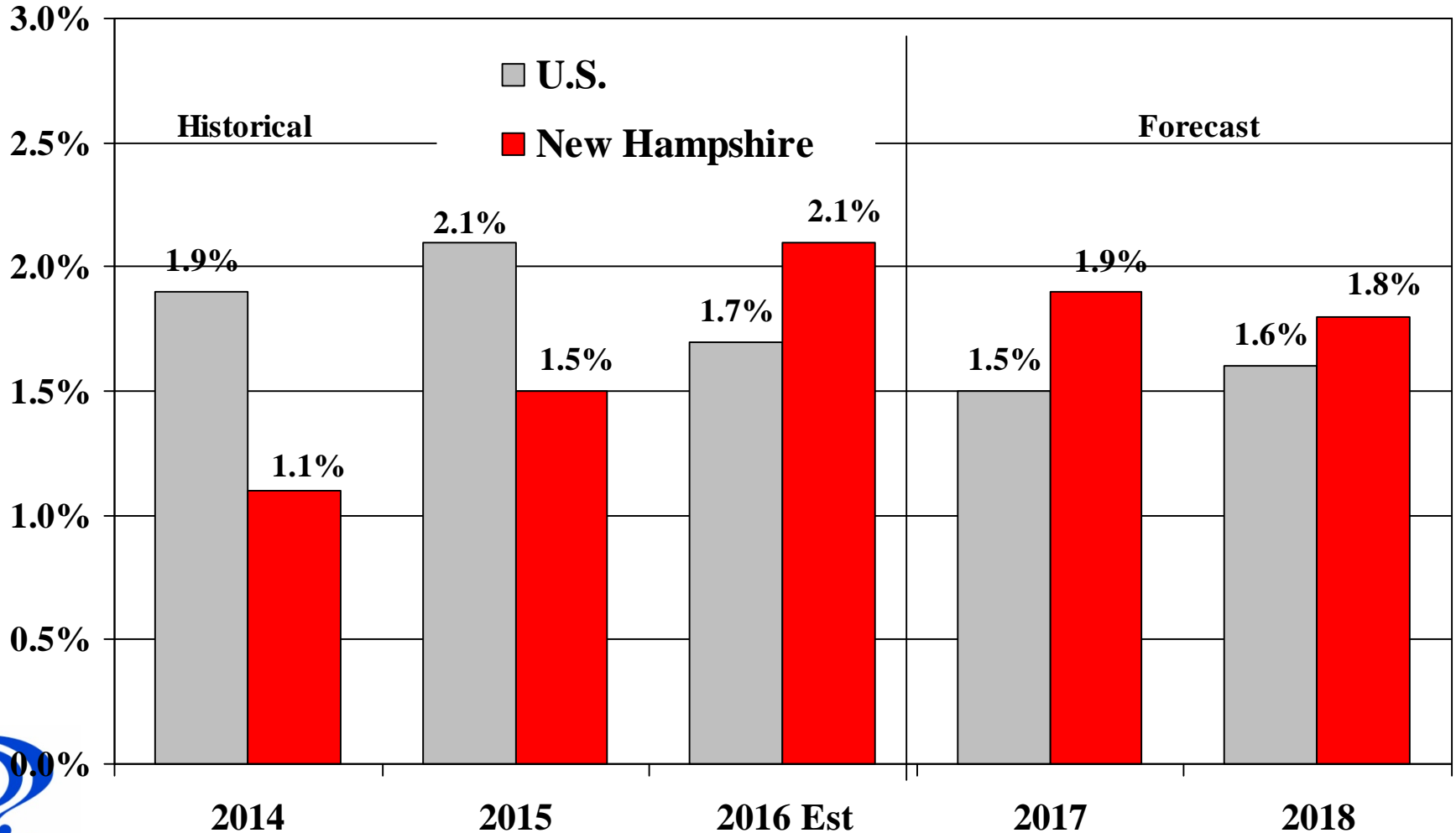
All is Not Perfect - Labor Utilization is Still Not Back to Pre-Recession Levels

Alternative Measures of Labor Underutilization

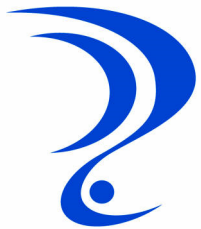


NH Should Continue to Have Above U.S. Average Employment Growth

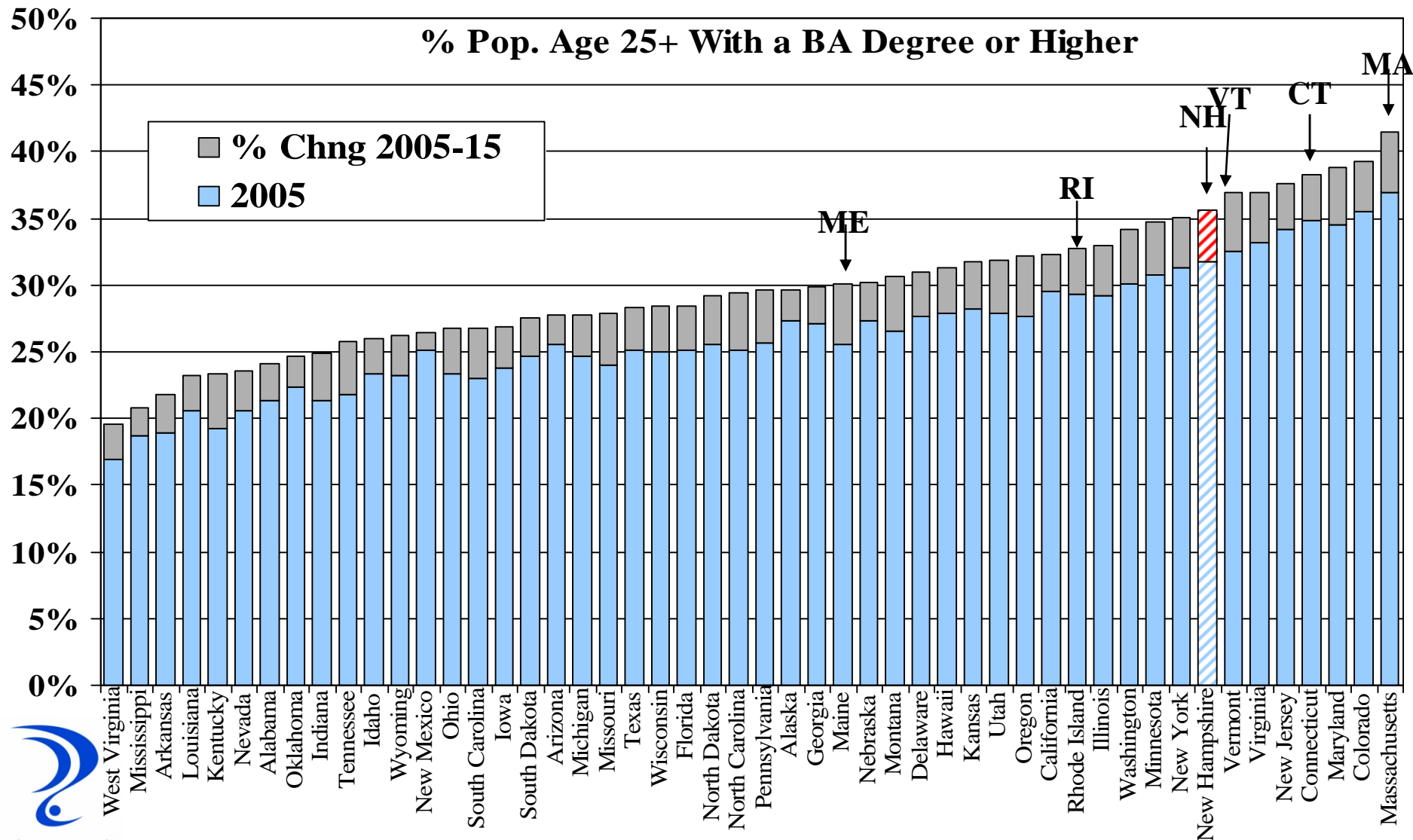
Job Growth Forecast



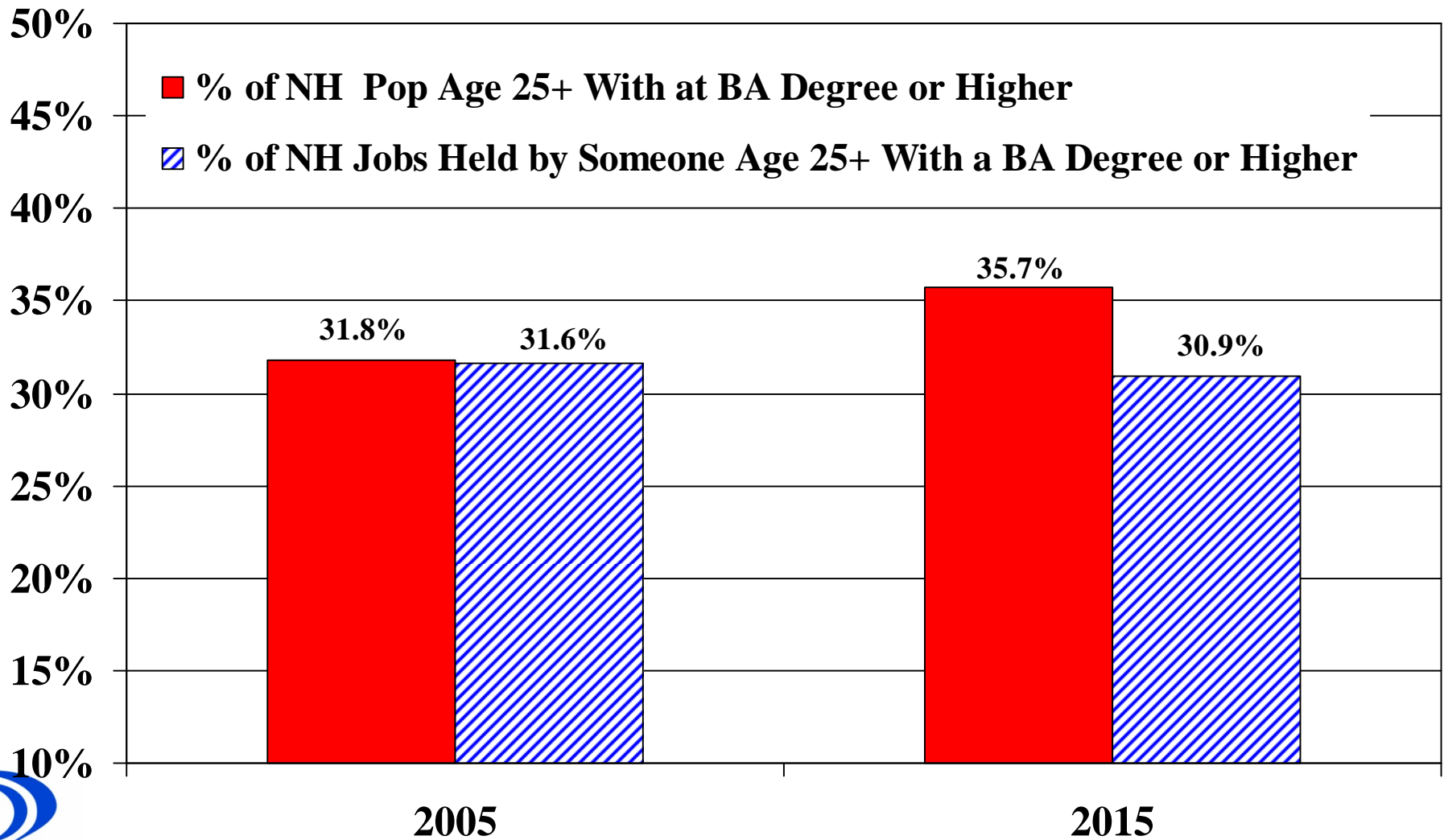
Key Factors Affecting NH's Growth



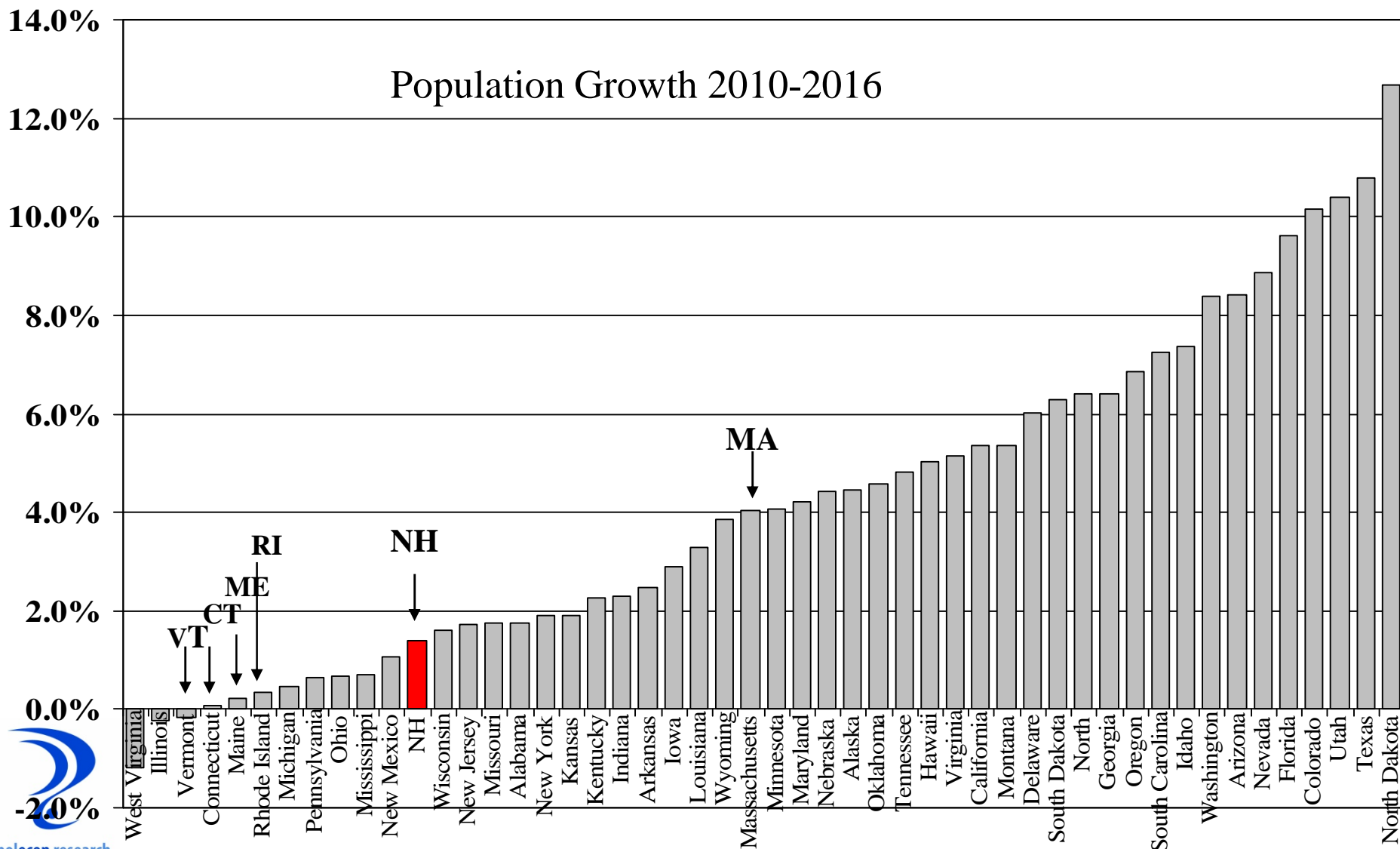
NH's Brain GAIN: All States are Seeing Increases in Ed. Attainment But Very Different Rates of Job Growth (Don't Forget About Demand Side Policies!)



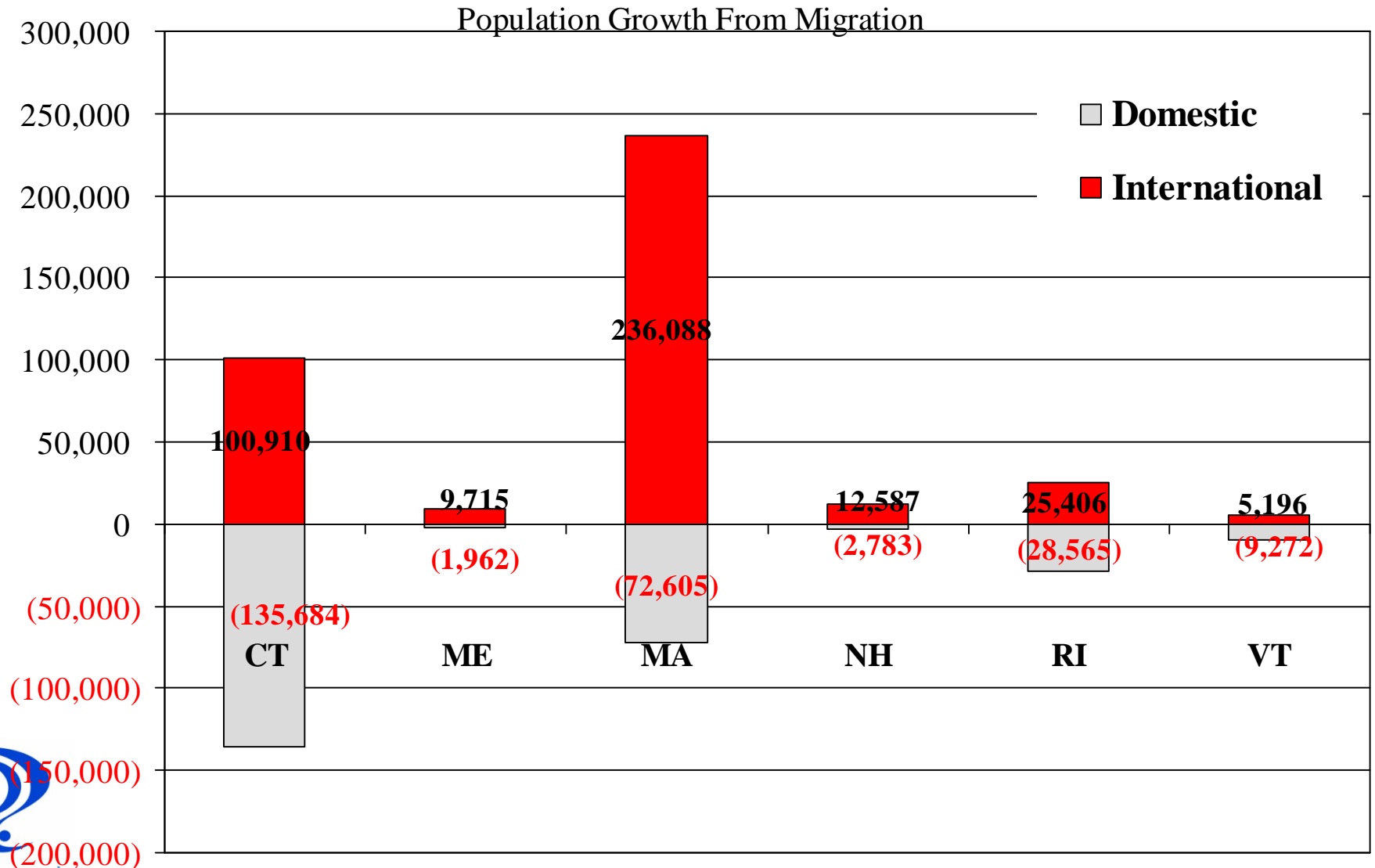
We ARE Adding Educated Labor But We are Adding More Than is Being Employed by NH Businesses (Demand Side Matters! And Maybe Associate's and Certificate Degrees are a Better Indicator)



New England Has Been on the Losing End of Demographic Trends as More of the Nation's Population Moves South and West – NH and MA Have Strongest Growth (Albeit from Different Sources)

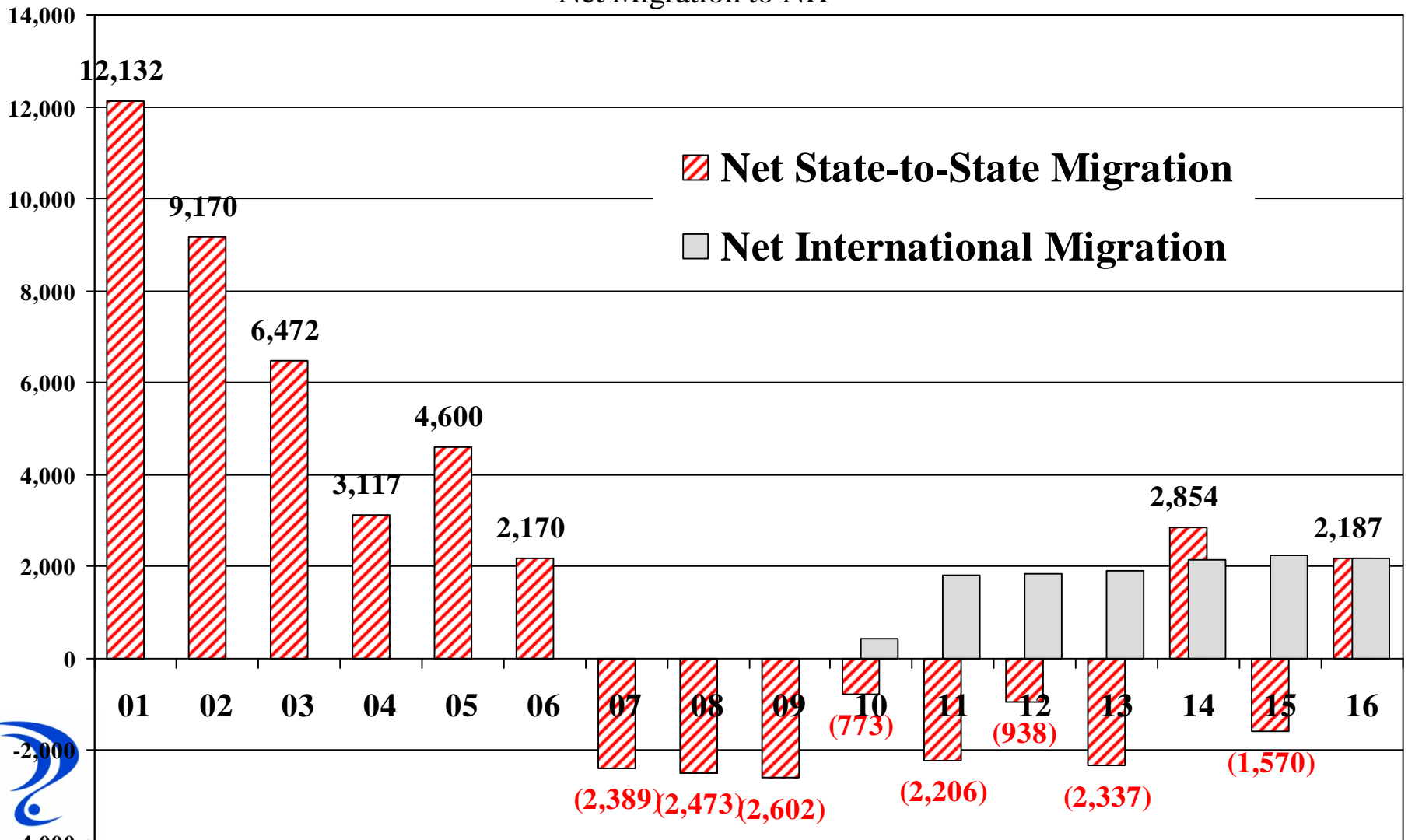


All of New England Lost Population Due to Net Out-Migration to Other States but Gained From Net In-Migration From Other Countries Between 2010 and 2016



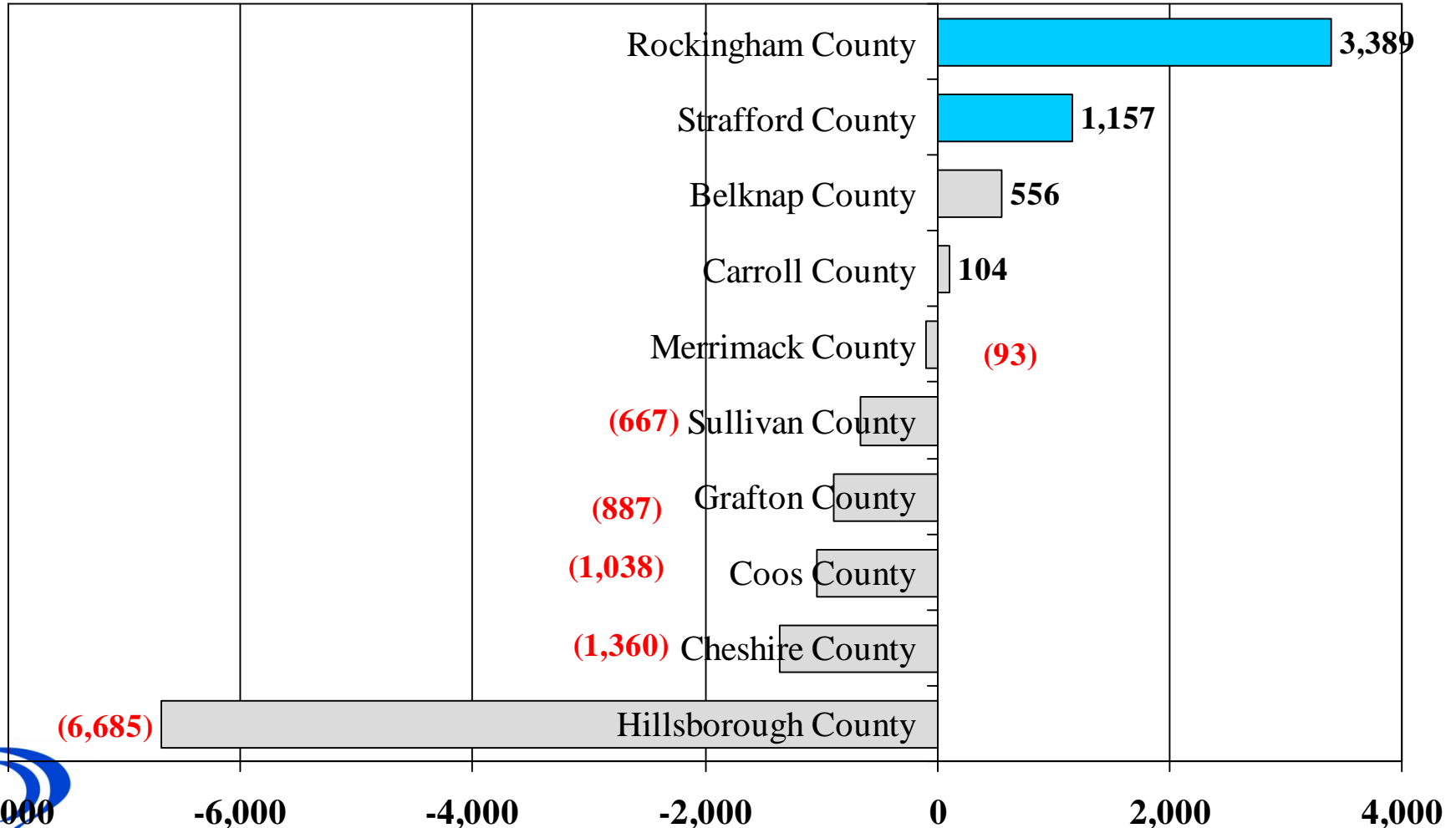
Net State-to-State Migration to NH is Resuming and is the Most Important Factor in Determining How Much We Grow

Net Migration to NH



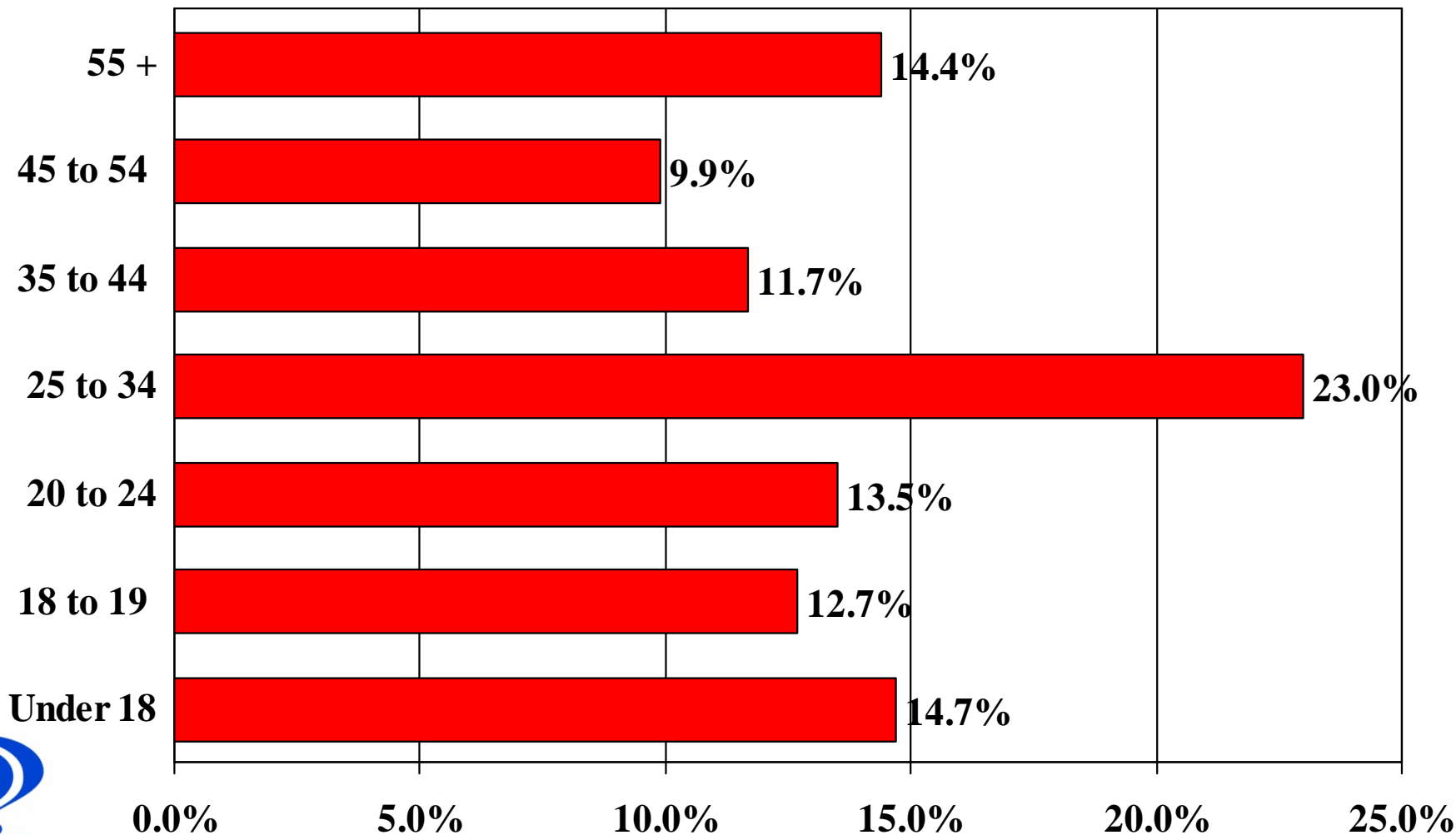
The Seacoast Has Accounted for Almost all of NH's Net State-to-State Migration Since the End of the Recession (Providing Clues to What it Takes to Attract Individuals)

Net Domestic Migration 2010-2015

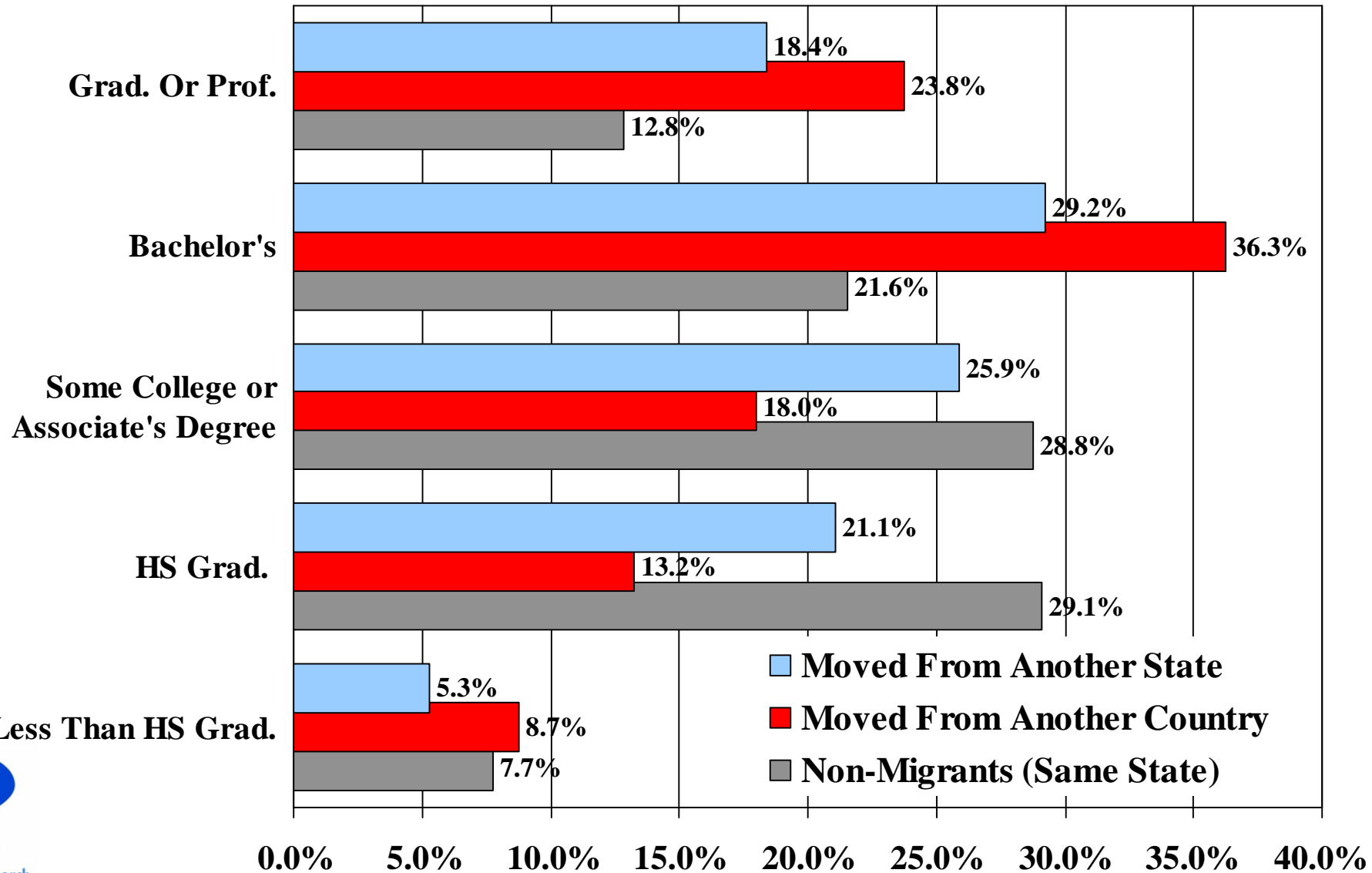


Migration Into NH is Weighted Toward Younger Demographics, Two-Thirds of Movers Into The State are Under Age 35, With Ages 25-34 is the Largest Group

Age Distribution of Out-of-State Movers to NH (2011-2015)



Economically There is No Difference Between Someone in NH Who Graduated From a NH College or From a College Somewhere Else (Ed. Attainment of Individuals Age 25+ Who Moved to NH Between 2011 and 2015)



Universities are a Critical Resource for Growth But Popular Public Policies Supporting Them May Not Maximize the Impact on a State's Economy

Results by Bound et al.:

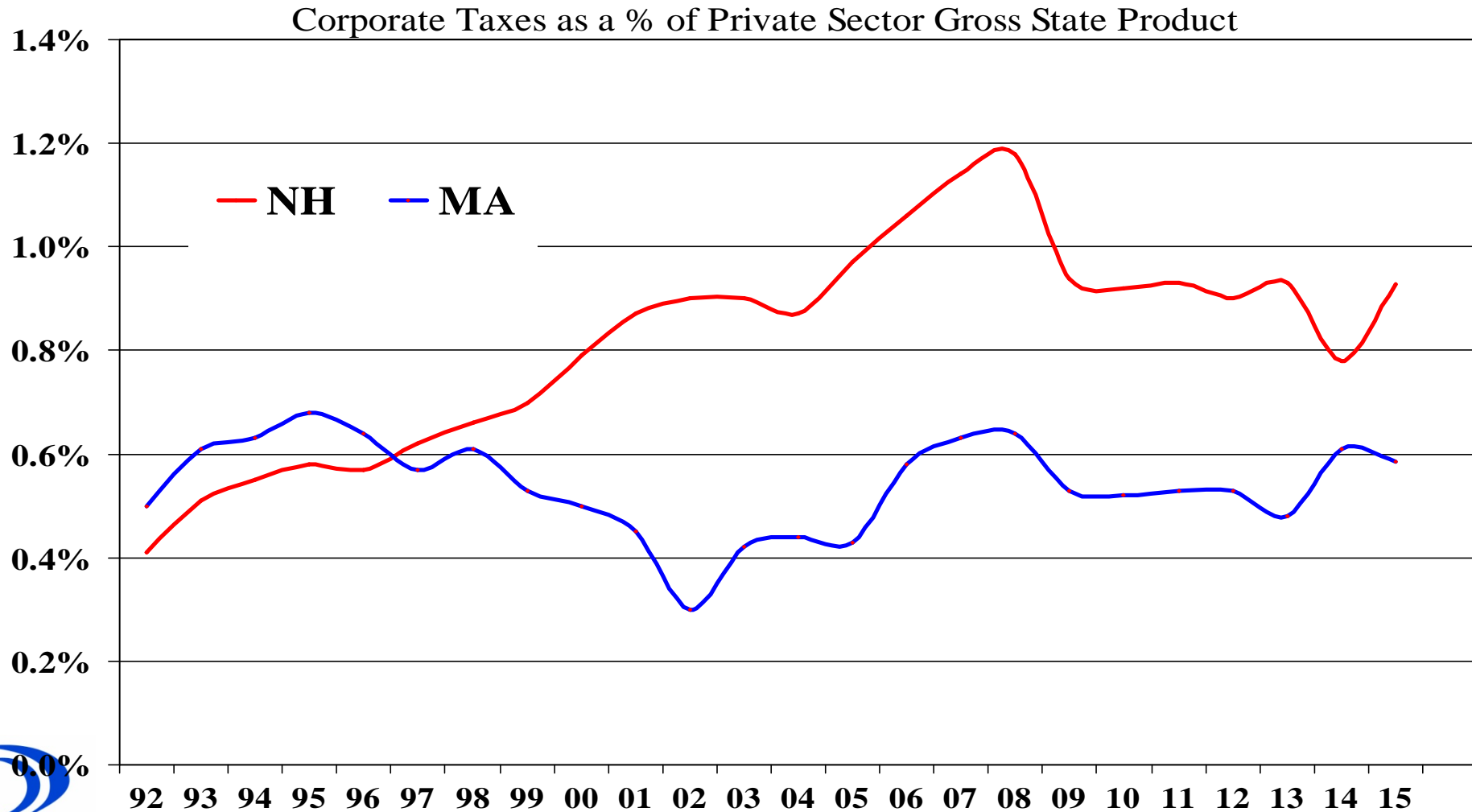
The link between attending college in a state and remaining in that state following graduation is so minor that state policymakers “*have only a modest capacity*” to influence their college-graduate retention rate through higher education investment.

Results by Groen.:

The probability of a student remaining in a state 10 years after graduation is increased by approximately 25% if she/he attends an in-state school. The percentage increase drops to 11% 20 years after graduation.

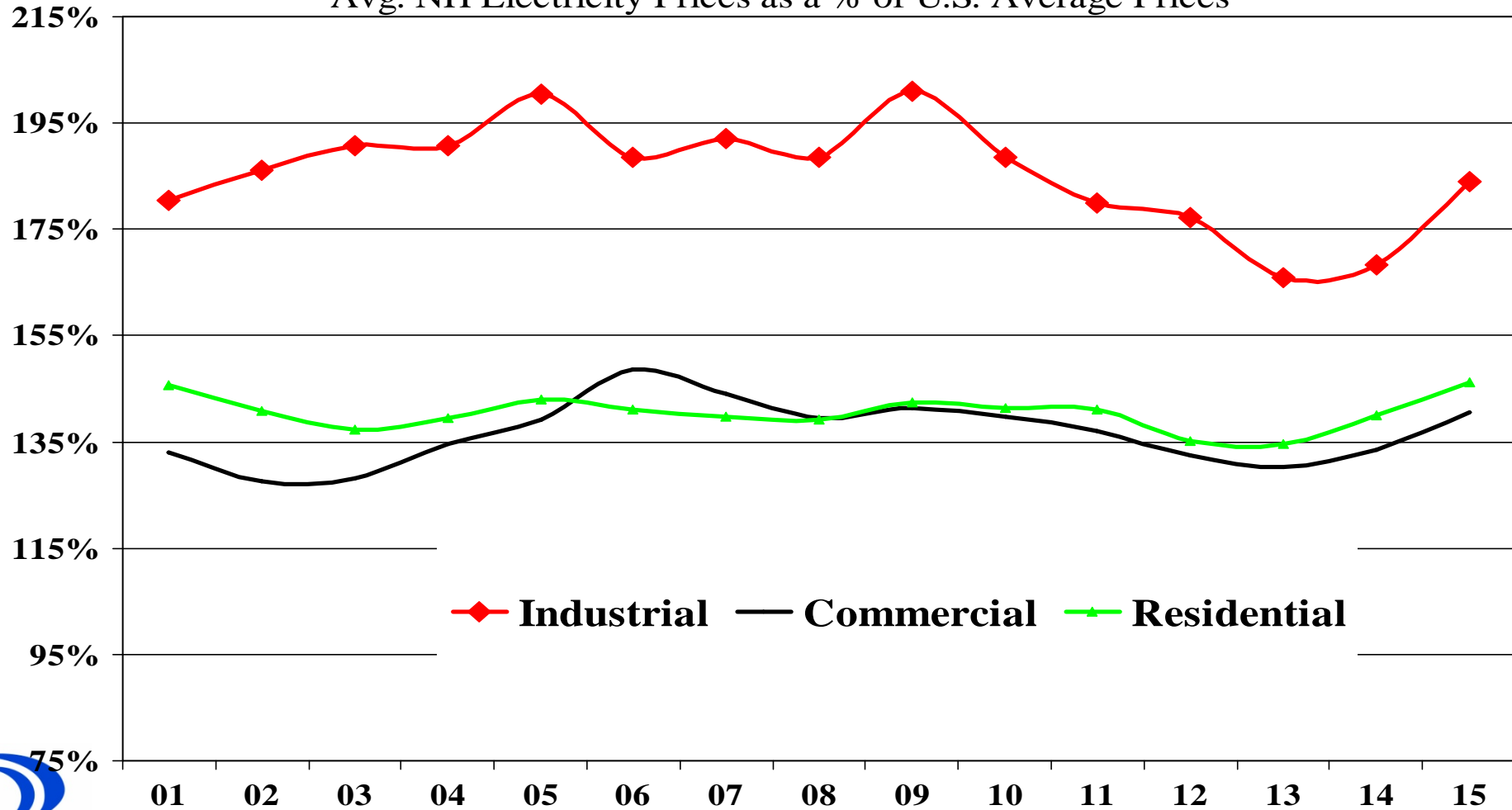


A Key Demand Side Policy is Tax Rates. Business Taxes as a Pct. of Private Sector Gross State Product is a Better Relative Measure of Than Burden Than is the Tax Rate – They are High in NH



Electricity Prices in NH are Especially Hard on Manufacturers. Industrial Customers Pay About 80% More for Electricity in NH Than the U.S. Avg..

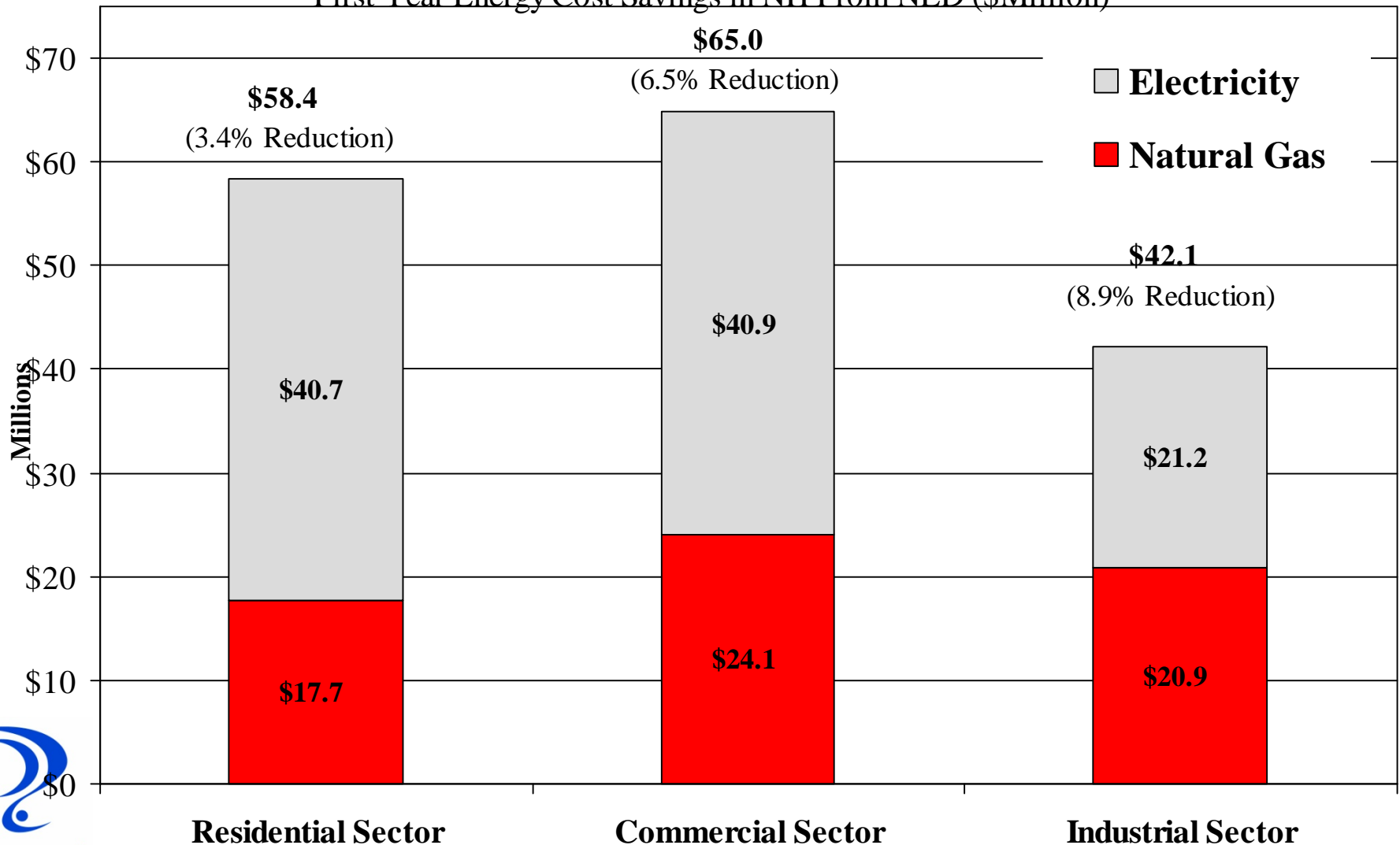
Avg. NH Electricity Prices as a % of U.S. Average Prices



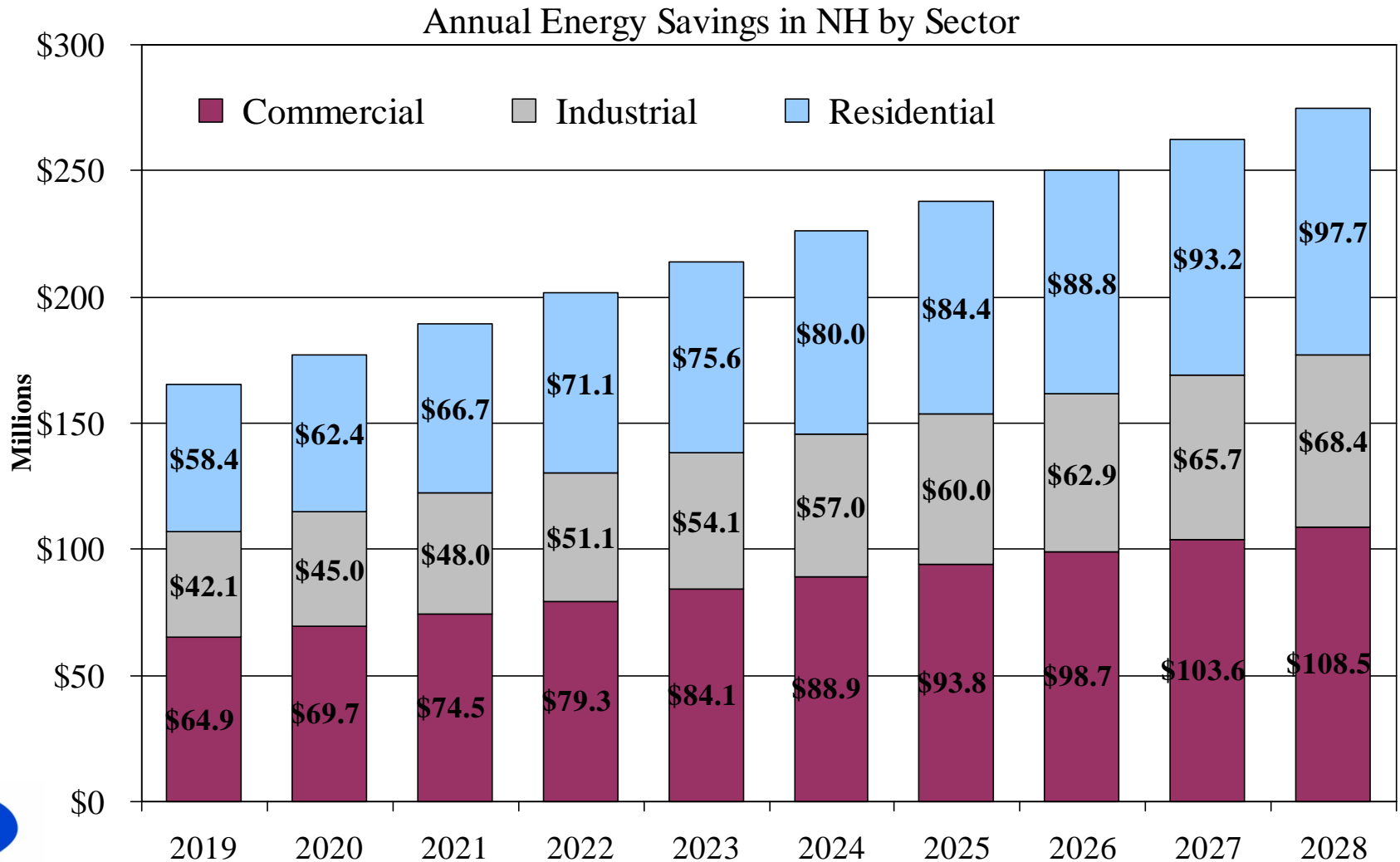
Source: U.S. Energy Information Agency, Polecon

One Pipeline Project's (NED) Impact on Natural Gas Prices in New England Would Have Resulted in an Annual \$165.5 Million in Energy Cost Savings in the Residential, Commercial, and Industrial Sectors in NH

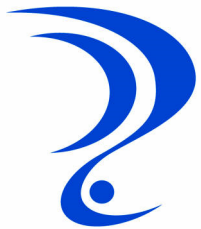
First Year Energy Cost Savings in NH From NED (\$Million)



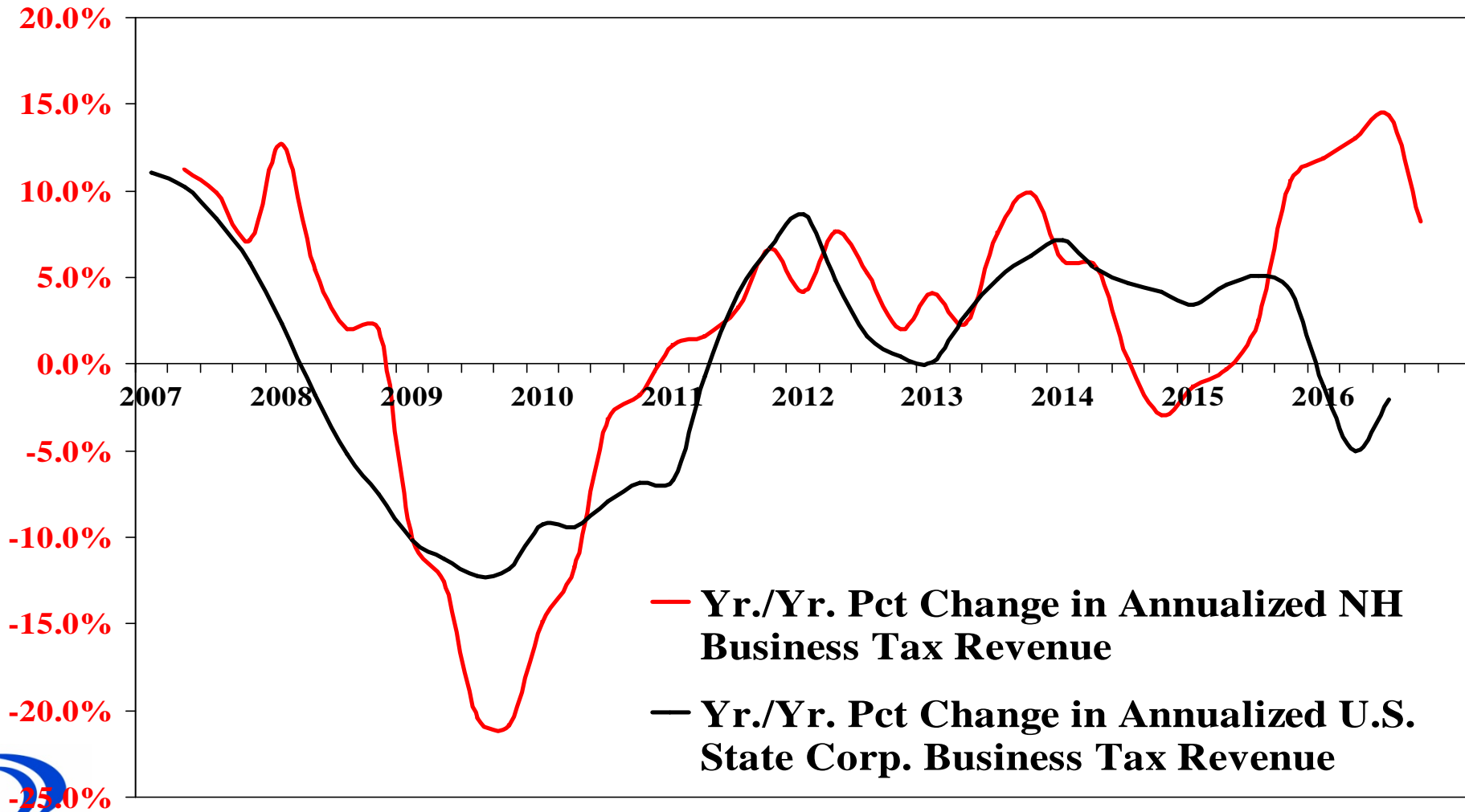
I Estimated Energy Savings to NH Consumers to be About \$2.2 Billion in the First 10 Years of NED Operation



Implications for Revenues

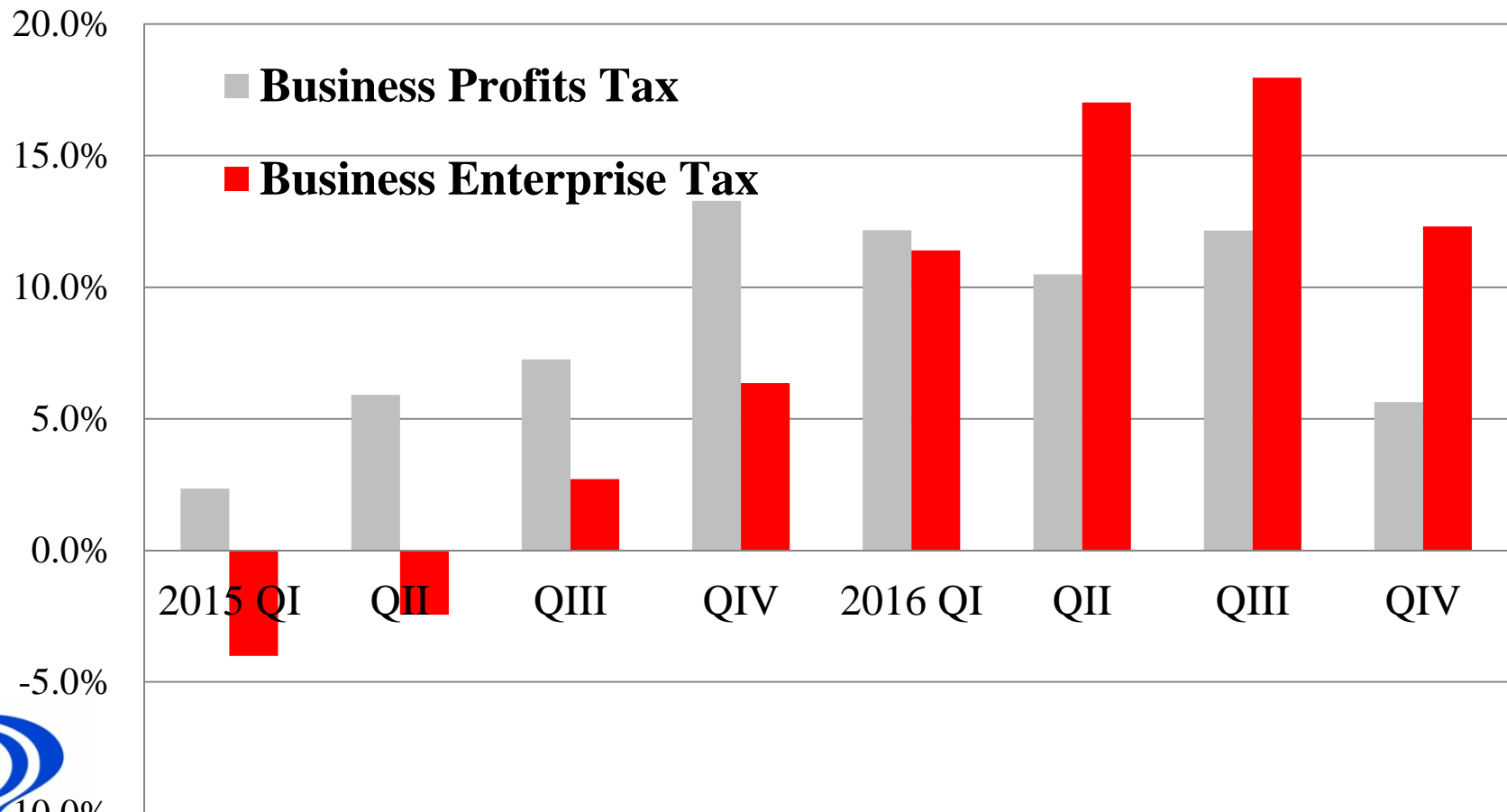


NH is Bucking the Downward Trend in State Corporate Income Taxes Collections Unlike Other States, Private Sector Emp., Wage and Salary Growth Contribute to Business Tax Revenues via the Business Enterprise Tax

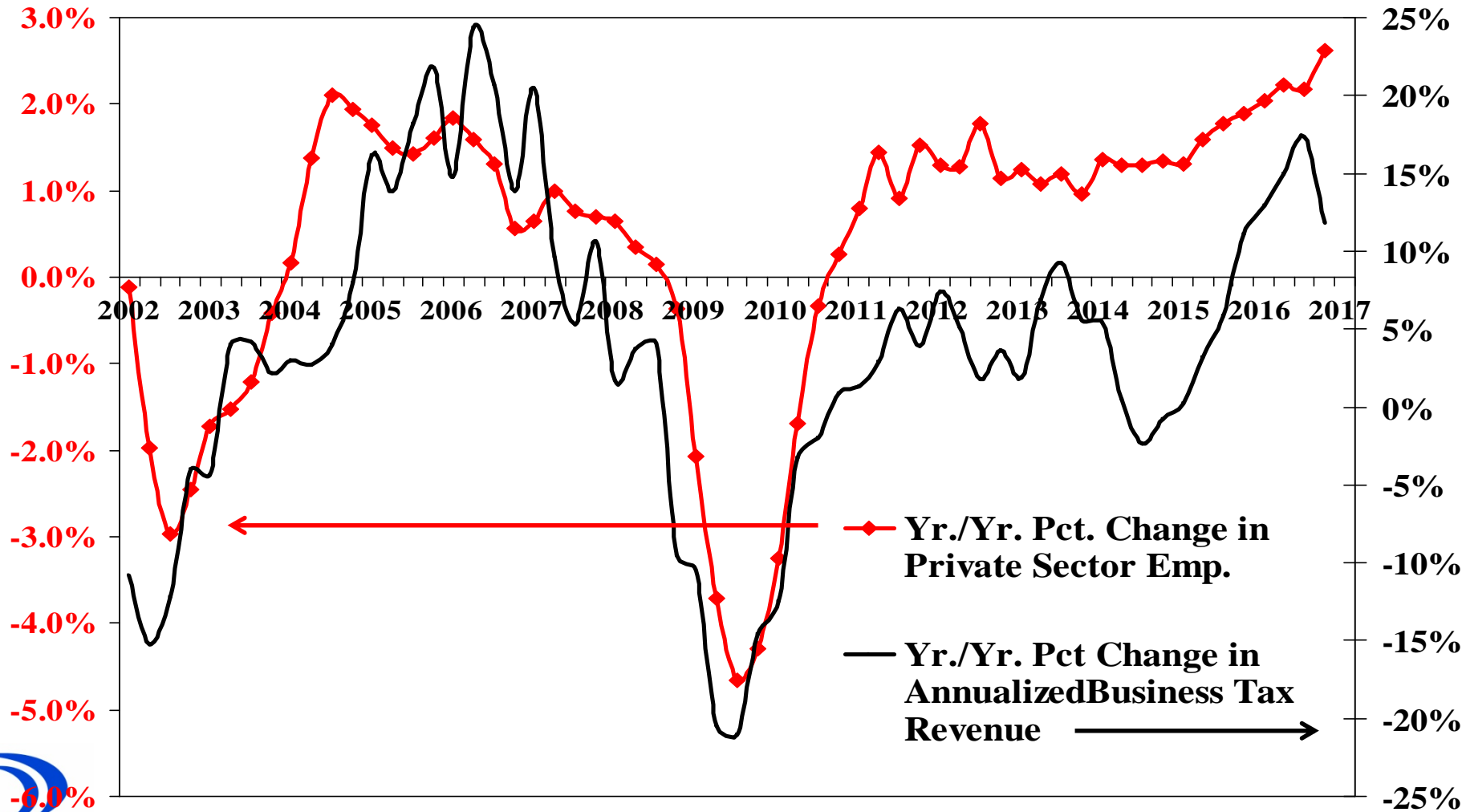


Private Sector Emp. and Wage Growth Have Propelled the Rate of NH Business Enterprise Tax Revenue Growth Even as the Rate of Business Profit Tax Growth Slowed Somewhat

Growth in Annualized (Four QTR Sum) Business Tax Revenue s Over Same Quarter Prior Year

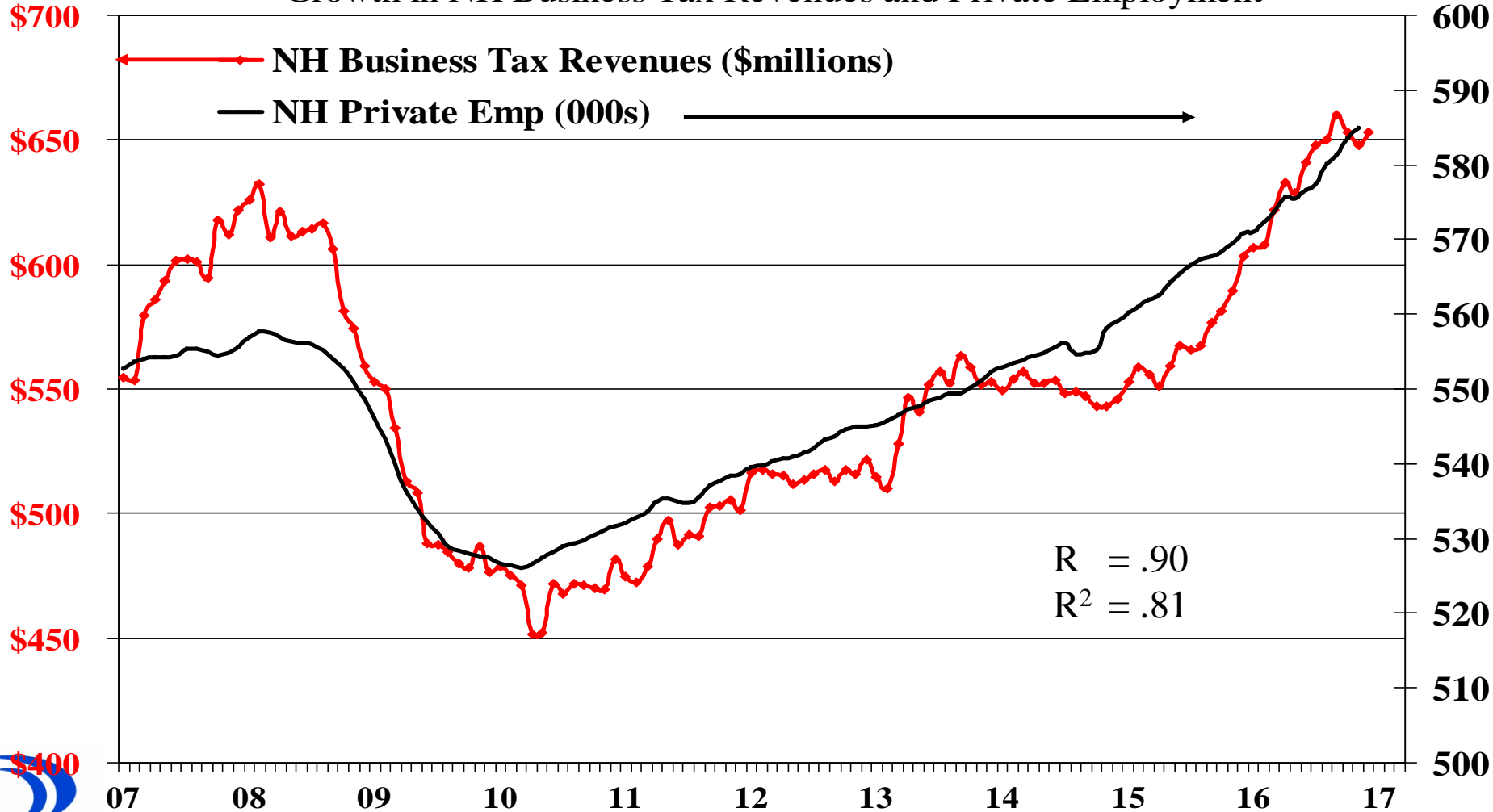


The Relationship Between Business Tax Revenue Growth and in Private Sector Job Growth in NH is Strong But Has Weakened Post-Recession



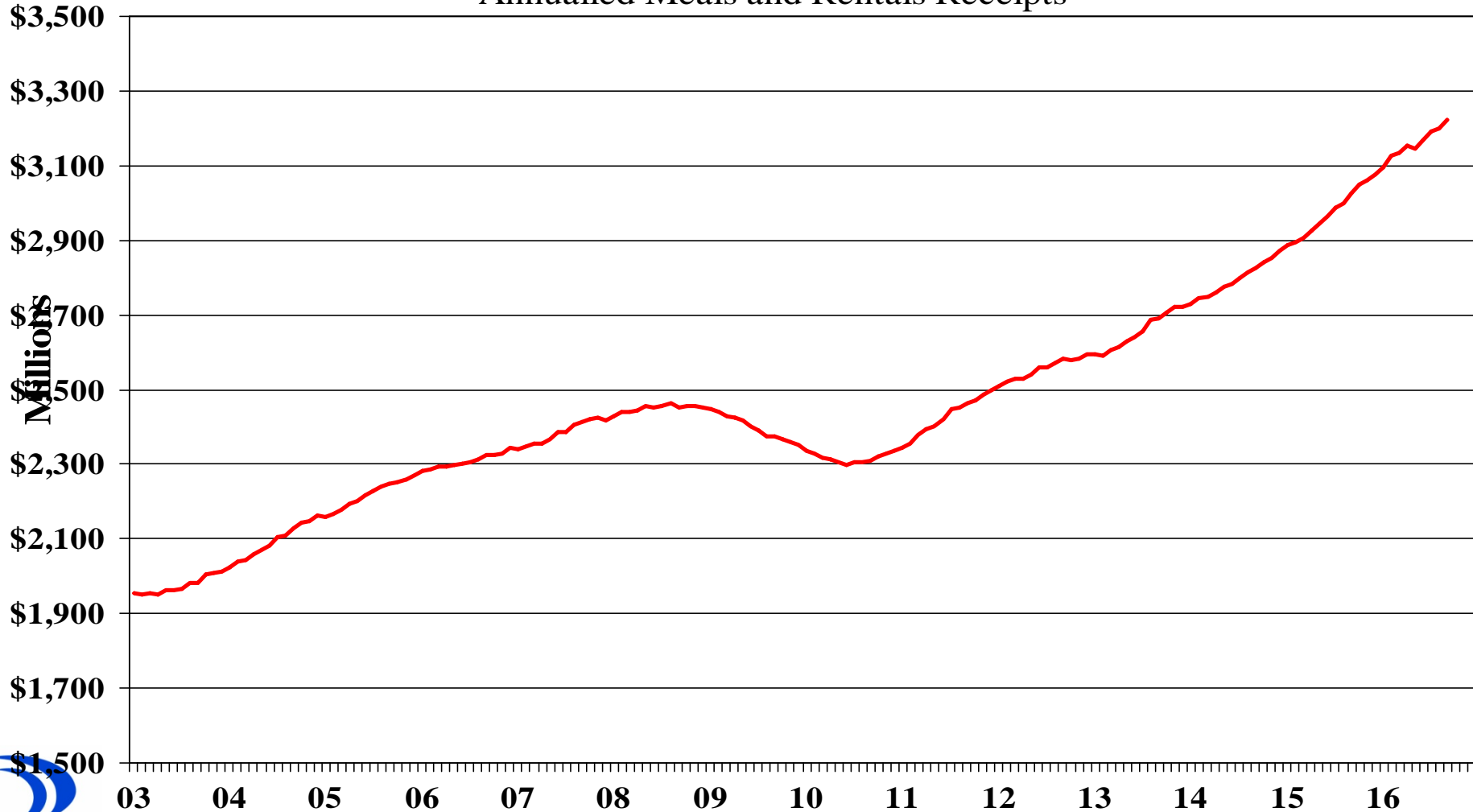
Business Tax Revenues Track Growth in Private Sector Employment. Private Emp. Should Grow by 1.5-2.0% , Implying 5-9% Growth in Business Taxes *Without Rate Adjustments*

Growth in NH Business Tax Revenues and Private Employment



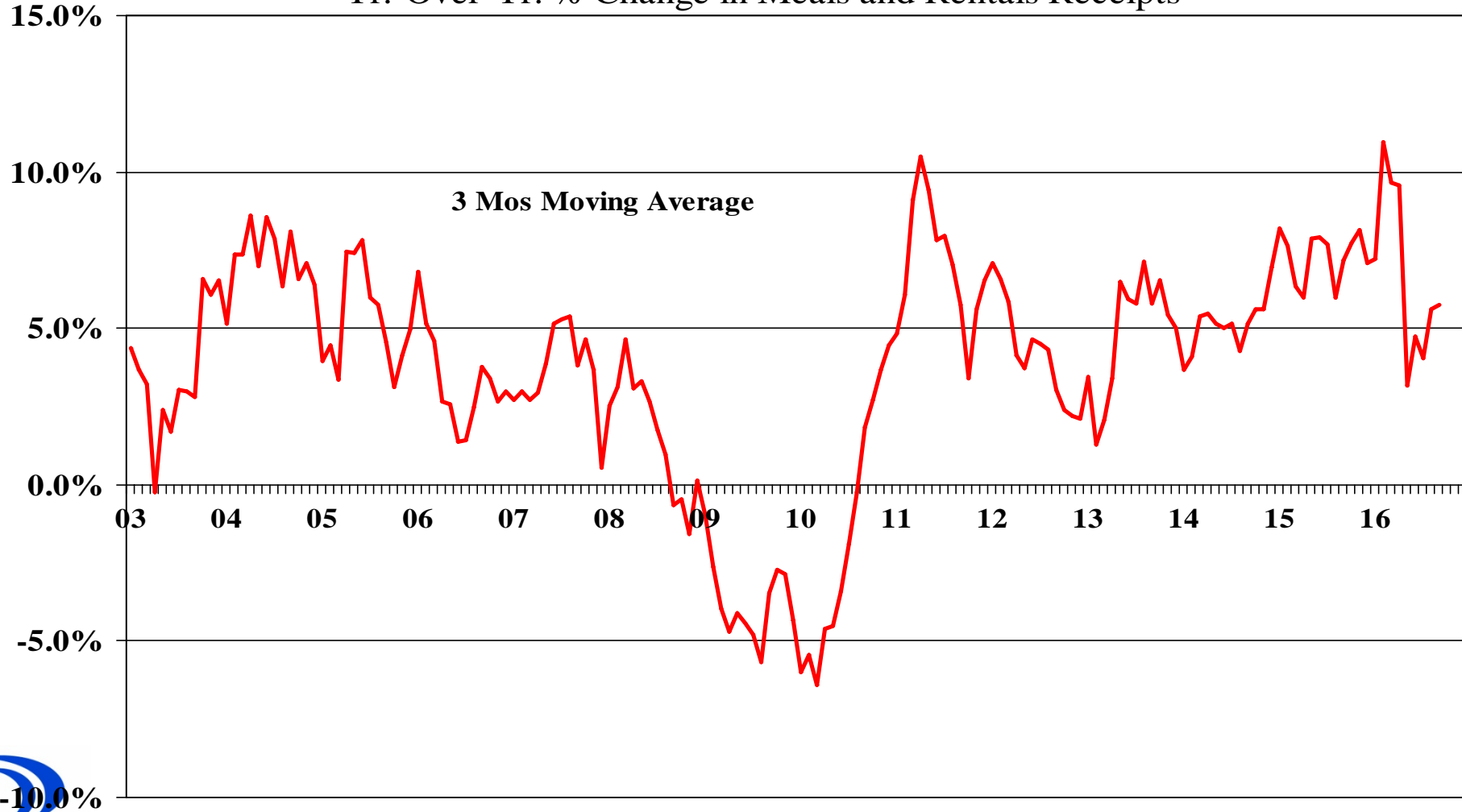
Spending on Rooms and Meals Continues Strong Growth

Annualized Meals and Rentals Receipts



Rooms and Meals Revenue Should Increase by No Less Than 5%

Yr.-Over-Yr. % Change in Meals and Rentals Receipts



Rising Mortgage Rates Will Only Marginally Curb Home Sales (-2%) and Sale Prices (Depending on How High Rates Go). RET Revenue Growth Will Slow Proportionally

National Avg. 30 Year Fixed Rate Mortgages

