Entering 2023: The Outlook for the New Hampshire Labor Market and Economy

Joint House and Senate Ways and Means Economic Briefing
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Brian Gottlob, Director, NH Economic and Labor Market Information Bureau
A Tale of Two Recessions: It Took Almost 7 Years to Recover Private Sector Employment After the “Great Recession” but Just 30 Months After the Pandemic
Compared to Most States With Severe Pandemic-Related Disruptions, New Hampshire Has Recovered Jobs Faster
Employment Gains and Losses Pre-Pandemic to Q2 2022

-5,024
Retail Trade

-1,473
State Government

-1,155
Social Assistance

-705
Other Services

-631
Manufacturing

-512
Educational Services

-1,222
Nursing & Residential Care Facilities

180
Real Estate

540
Transp. & Warehousing

728
Ambulatory Health Care

871
Arts, Enter. & Rec.

1,064
Finance and Insurance

1,682
Food Services & Drinking Places

2,985
Wholesale Trade

3,181
Construction

4,100
Admin. & Support Services

6,625
Prof., Sci., & Tech. Services

25
Utilities

ELMI
Economy + Labor Market Information Bureau

New Hampshire Employment Security
"We're working to keep New Hampshire working."
Percentage Employment Gains and Losses Pre-Pandemic to Q2 2022

- Prof., Sci., & Tech. Services: 16.7%
- Admin. & Support Services: 12.1%
- Construction: 11.8%
- Wholesale Trade: 10.7%
- Food Services & Drinking Places: 3.5%
- Finance and Insurance: 4.0%
- Arts, Enter. & Rec.: 7.4%
- Ambulatory Health Care: 2.1%
- Transp. & Warehousing: 3.5%
- Real estate: 2.6%
- Utilities: 1.2%
- Accommodation: -5.7%
- Information: -3.9%
- Educational Services: -2.4%
- Manufacturing: -0.9%
- Other Services: -3.3%
- Social assistance: -7.3%
- Nursing & Resid. Care Facilities: -8.5%
- State Government: -7.3%
- Hospitals: -5.7%
- Retail Trade: -5.4%
Initial Claims for Unemployment Insurance are Now 30-40% Lower in New Hampshire Than They Were in the Pre-Pandemic Year of 2019.
Continued Claims are Also 30-40% Below the Same Time Period in the Pre-Pandemic Year of 2019

% Change in 2022 Continued Unemp. Claims Compared to the Same Week in 2019

-5%  -10%  -15%  -20%  -25%  -30%  -35%  -40%  -45%  -50%
Feb  Mar  Apr  May  Jun  Jul  Aug  Sep  Oct  Nov  Dec

-7.1%  -10%  -15%  -20%  -25%  -30%  -35%  -40%  -45%  -50%

NH  MA  U.S.

4 Week Moving Average

% Change in 2022 Continued Unemp. Claims Compared to the Same Week in 2019

-36.4%
Not Only are Claims in New Hampshire Near Record Lows, the State has Among the Shortest Durations of Unemployment per Paid Beneficiary
Since the End of 2021, New Hampshire Has Increased the Number of Employers With Unemployment Insurance Accounts by 14%
UI Taxes on Employers Have Been Kept Well Below Great Recession Levels. A Large Increase in New Employers (Who Start at the Top Rate) Has Kept the Average Tax Rate From Declining More in Recent Quarters

Unemployment Insurance Employer Tax Rates

Great Recession Peak Tax Rate: 3.67%

Source: NHES
New Hampshire Has the Lowest Employment Tax Burden as a % of Total Employee Wages of Any State in the Northeast, and it Will Soon Get Lower
The Unemployment Trust Fund is on such solid ground that employers have already received an unemployment insurance tax break projected to save NH employers $28 million.

<table>
<thead>
<tr>
<th>Year</th>
<th>QTR.</th>
<th>FBR</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>1</td>
<td>0.0%</td>
<td>$202,847,827</td>
</tr>
<tr>
<td>2022</td>
<td>2</td>
<td>0.0%</td>
<td>$282,929,617</td>
</tr>
<tr>
<td>2022</td>
<td>3</td>
<td>0.0%</td>
<td>$349,069,074</td>
</tr>
<tr>
<td>2022</td>
<td>4</td>
<td>0.5%</td>
<td>$357,830,391</td>
</tr>
</tbody>
</table>

FBR = “Fund Balance Reduction.” Because the Trust Fund Balance remained above $250 million for all of Q3 2022, employers are set to get a 0.5% tax rate reduction.
Labor Demand is Still Stronger in New Hampshire Than in the U.S. but Job Openings are Slipping
### Job Postings are Up Across Most Occupations: Some Examples of Occupations Most in Demand

<table>
<thead>
<tr>
<th>SOC</th>
<th>Occupation</th>
<th>Unique Postings from Sep 2019 - Nov 2019</th>
<th>Unique Postings from Sep 2022 - Nov 2022</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>29-1141</td>
<td>Registered Nurses</td>
<td>1,806</td>
<td>3,733</td>
<td>1,927</td>
<td>106.7%</td>
</tr>
<tr>
<td>41-2031</td>
<td>Retail Salespersons</td>
<td>2,266</td>
<td>2,815</td>
<td>549</td>
<td>24.2%</td>
</tr>
<tr>
<td>41-1011</td>
<td>Supervisors of Retail Sales Workers</td>
<td>1,046</td>
<td>1,769</td>
<td>723</td>
<td>69.1%</td>
</tr>
<tr>
<td>53-7062</td>
<td>Laborers, Freight, Stock, Movers,</td>
<td>548</td>
<td>1,215</td>
<td>667</td>
<td>121.7%</td>
</tr>
<tr>
<td>15-1252</td>
<td>Software Developers</td>
<td>1,049</td>
<td>1,170</td>
<td>121</td>
<td>11.5%</td>
</tr>
<tr>
<td>41-4012</td>
<td>Sales Reps, Wholesale &amp; Manufacturing</td>
<td>804</td>
<td>1,154</td>
<td>350</td>
<td>43.5%</td>
</tr>
<tr>
<td>43-4051</td>
<td>Customer Service Representatives</td>
<td>930</td>
<td>1,041</td>
<td>111</td>
<td>11.9%</td>
</tr>
<tr>
<td>35-3023</td>
<td>Fast Food and Counter Workers</td>
<td>472</td>
<td>962</td>
<td>490</td>
<td>103.8%</td>
</tr>
<tr>
<td>11-9111</td>
<td>Medical and Health Services Managers</td>
<td>401</td>
<td>956</td>
<td>555</td>
<td>138.4%</td>
</tr>
<tr>
<td>31-1131</td>
<td>Nursing Assistants</td>
<td>364</td>
<td>940</td>
<td>576</td>
<td>158.2%</td>
</tr>
<tr>
<td>11-9199</td>
<td>Managers,</td>
<td>415</td>
<td>838</td>
<td>423</td>
<td>101.9%</td>
</tr>
<tr>
<td>29-2061</td>
<td>Licensed Practical &amp; Vocational Nurses</td>
<td>270</td>
<td>819</td>
<td>549</td>
<td>203.3%</td>
</tr>
<tr>
<td>53-7065</td>
<td>Stockers and Order Fillers</td>
<td>472</td>
<td>757</td>
<td>285</td>
<td>60.4%</td>
</tr>
<tr>
<td>51-9199</td>
<td>Production Workers, All Other</td>
<td>345</td>
<td>750</td>
<td>405</td>
<td>117.4%</td>
</tr>
<tr>
<td>49-9071</td>
<td>Maintenance &amp; Repair Workers</td>
<td>328</td>
<td>737</td>
<td>409</td>
<td>124.7%</td>
</tr>
<tr>
<td>43-6014</td>
<td>Secretaries and Admin. Assistants</td>
<td>457</td>
<td>697</td>
<td>240</td>
<td>52.5%</td>
</tr>
<tr>
<td>15-1299</td>
<td>Computer Occupations, All Other</td>
<td>402</td>
<td>693</td>
<td>291</td>
<td>72.4%</td>
</tr>
<tr>
<td>53-3031</td>
<td>Driver/Sales Workers</td>
<td>203</td>
<td>680</td>
<td>477</td>
<td>235.0%</td>
</tr>
<tr>
<td>31-1128</td>
<td>Home Health Care Aides</td>
<td>296</td>
<td>638</td>
<td>342</td>
<td>115.5%</td>
</tr>
<tr>
<td>53-3032</td>
<td>Heavy and Tractor-Trailer Truck Drivers</td>
<td>396</td>
<td>558</td>
<td>162</td>
<td>40.9%</td>
</tr>
<tr>
<td>29-2099</td>
<td>Health Technicians, All Other</td>
<td>294</td>
<td>515</td>
<td>221</td>
<td>75.2%</td>
</tr>
<tr>
<td>49-6023</td>
<td>Automotive Service Techs &amp; Mechanics</td>
<td>203</td>
<td>482</td>
<td>279</td>
<td>137.4%</td>
</tr>
<tr>
<td>53-3033</td>
<td>Light Truck Drivers</td>
<td>239</td>
<td>478</td>
<td>239</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
Private Sector Job Growth is Slowing but Still Solid - New Hampshire Had Faster Growth Than the U.S. in 2021 but is More Labor Constrained Now
New Hampshire Job Growth Has Slowed More Than the U.S. Not Because of a Weaker Economy but Because of Labor Constraints – The Gap Between the Job Openings Rate and Job Hiring Rate Has Been Greater in New Hampshire
Our State’s Biggest Challenge to Growth is Labor Force. It is Recovering but Remains Below Pre-Pandemic Peak
Employment Among the Prime-Age Labor Force Remains Below “Full Employment” – There is Still Room to Grow
Improvement in NH Labor Force Participation Over the Past Year Has Been Mixed, With the Biggest Gains Among Older Workers
Population Has Increased in the Past Three Years and if Pre-Pandemic Participation Rates Remained (Likely Unattainable), the Granite State Would Have Over 18,000 More Individuals in the Labor Force.

Change in the Current Labor Force Under Pre-Covid Participation Rates

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Change in Labor Force</th>
</tr>
</thead>
<tbody>
<tr>
<td>16 to 19</td>
<td>-2,024</td>
</tr>
<tr>
<td>20 to 24</td>
<td>-2,024</td>
</tr>
<tr>
<td>25 to 29</td>
<td>-1,900</td>
</tr>
<tr>
<td>30 to 34</td>
<td>-932</td>
</tr>
<tr>
<td>35 to 39</td>
<td>-334</td>
</tr>
<tr>
<td>40 to 44</td>
<td>334</td>
</tr>
<tr>
<td>45 to 49</td>
<td>1,900</td>
</tr>
<tr>
<td>50 to 54</td>
<td>1,393</td>
</tr>
<tr>
<td>55 to 59</td>
<td>684</td>
</tr>
<tr>
<td>60 to 64</td>
<td>1,393</td>
</tr>
<tr>
<td>65 to 69</td>
<td>2,049</td>
</tr>
<tr>
<td>70 to 74</td>
<td>2,049</td>
</tr>
</tbody>
</table>
Labor Force Participation and Employment-to-Population Ratio in New Hampshire
Among 25-34 Year Old’s Has Declined More Among Women Most Likely to Have Young Children

Change In Labor Force Participation and Employment-to-Population Ratio
Ages 25-34 by Gender in New Hampshire Compared to Pre-COVID Rates

- Female Labor Force Participation Rate: -4.3%
- Male Labor Force Participation Rate: -3.2%
- Female Employment-to-Population Ratio: -5.2%
- Male Employment-to-Population Ratio: -3.9%
Employment in Childcare Services has Dropped by Over 600 Since the Pandemic or Nearly 11%, Exacerbating the Shortage of Available Child Care Slots That Existed Prior to the Pandemic
The Pandemic Accelerated the Trend Toward Increasing On-Line Retailing and Retail Employment in the State is Unlikely to Fully Recover Soon
Hospital Employment Remains Well Below Peak

Quarterly Employment at Hospitals in New Hampshire

<table>
<thead>
<tr>
<th>Year</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>2020</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>2021</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>2022</th>
<th>Q2</th>
</tr>
</thead>
</table>
Nursing and Residential Care Facility Employment Remains Stuck at About 1,400 Employees Below Pre-Pandemic Peak Employment
Employment in Eating and Drinking Places Peaks in Q3 (July/Aug/Sep) Each Year, it is Close to its Seasonal Pre-Pandemic Peak

Quarterly Eating & Drinking Places Employment in New Hampshire

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>2020</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>2021</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>2022</th>
<th>Q2</th>
</tr>
</thead>
</table>

Note: The data for 2020 Q2 shows a significant drop due to the pandemic.
Outlook Overview: It is Possible That the U.S. Can Avoid a Recession in 2023 but the Risks are Uncomfortably High and 2023 Will be Weak Regardless

- Household finances are generally better positioned to withstand current price shocks.
- Inflation is moderating and rent increases are slowing.
- Labor force is recovering, and job growth is slowing, this will moderate wage gains and risks of increasing inflation.
- Businesses will be loathe to lay off workers for fear of not being able to re-hire, income will not fall sharply.
- Household financial obligations (including debt) are relatively low by historical standards (but rising).
- Corporate debt also relatively low.
- Banks are well capitalized.
- Consumer spending is slowing, and will continue to, but still positive year-over-year.

**Without consumers cutting spending dramatically, and businesses laying off en masse, it is hard to see a recession on the horizon.**
Recessions are Fundamentally About a Loss of Confidence by Consumers and Businesses – Confidence is Low Among Both (and Many Economists). We Can “Talk Ourselves Into a Recession”
Household are Better Positioned to Handle Higher Prices and Interest Rates (For a While) Than in Previous Downturns
Year-Over-Year Inflation Peaked in June and is Starting to Rollover – CPI Should be Under 4% by the End of 2023
Inflation Has Dampened But Not Cratered Retail Spending. It Will Be Hard to Fall Into Recession if Consumers Do Not Severely Cut Spending
Restaurant Seatings in New Hampshire are Above Pre-Pandemic Levels and Have Increased Faster Than in MA or the U.S. Overall

% Change in Seated Restaurant Reservations Compared to Same Day in 2019
(7 Day Moving Average)

NH - U.S. - MA

Open Table, ELMI
Solid Net Migration Into New Hampshire From Other States Continued to Help Labor and Demographic Trends in 2022, but is Constrained by the Availability of Housing

Net Domestic (State-to-State) Migration to NH July to July

Source: U.S. Census Bureau, Forecast: NH Economic and Labor Market Information Bureau
The Demographics of Movers into New Hampshire From Other States is Trending Younger - Increasingly Benefiting NH’s Demographics

% of Domestic Adult (Age 25+) In-Migration 2017-2021

- New Hampshire: 18.5% Ages 65+, 43.5% Ages 25-34
- Vermont: 22.7% Ages 65+, 37.4% Ages 25-34
- Maine: 30.0% Ages 65+, 30.5% Ages 25-34
Since 2015, NH Has Had the 5\textsuperscript{th} Largest Percentage Increase in Population of 25-29 Yr. Old's of Any State (2\textsuperscript{nd} Highest Since 2014)
Economists Surveyed by the Wall St. Journal Put the Probability of Recession in 2023 at Over 60% - We Believe the Probability is Lower
2023 Will Be a Slow Growth Year (U.S. GDP Growth ~ 1.0% and 4% Unemployment Rate), But We are Not Including a Recession in our Current Forecast Scenario

Forecast of Total Non-Farm Job Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>-6.1%</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>3.7%</td>
<td>2.8%</td>
</tr>
<tr>
<td>2022</td>
<td>2.7%</td>
<td>3.5%</td>
</tr>
<tr>
<td>2023</td>
<td>0.7%</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

Source: ELMI