The COVID-19 Crisis in New Hampshire: Initial Economic Impacts and Policy Responses

Issue Brief Summary and Key Highlights

The 2019 novel coronavirus pandemic has created both a health and economic crisis, and the negative effects of this crisis are greatest for many of New Hampshire’s most vulnerable residents. The crisis has resulted in drastic changes to the ways in which people live and work, and rapid declines in economic activity have significantly impacted the financial security of tens of thousands of Granite Staters.

In the last two full weeks of March 2020, initial unemployment claims in New Hampshire spiked to unprecedented levels. Expansions of unemployment insurance have allowed individuals to claim benefits if they are impacted by the COVID-19 crisis. The initial unemployment claims filed in the week ending March 21 totaled 29,379, a 4,476 percent increase over the preceding week’s 642 initial claims. Initial claims the following week, ending March 28, totaled 31,378. If all the individuals filing claims in these two weeks remained fully unemployed and the State’s labor force remained the same size, then the effective unemployment rate would have roughly quadrupled in merely two weeks.

The economic decline caused by the response to the COVID-19 crisis has been sudden and steep, especially when compared to the last recession. The Great Recession of 2007-2009 also led to major declines in economic activity, and the positive effects of the subsequent recovery period were slow to reach many. Inflation-adjusted wages have only recently returned to pre-recession levels for lower and more moderate wage earners. Many Granite Staters earning below average wages are employed in sectors that compose sizable portions of overall employment in the state. Estimates from January 2020 show the largest employment sector is health care and social assistance, at about 14 percent, followed by retail trade at 13 percent, and accommodation and food services at 9 percent of jobs. Many of these workers are financially vulnerable to the economic effects of the COVID-19 crisis, as low wages have limited their ability to build savings.
State-level policy responses have been aimed at minimizing health risks and supporting those affected by the crisis. As of April 10, several emergency orders have been issued to protect public health, including limiting gatherings to under ten people, closing non-essential businesses, transitioning schools to remote learning, and establishing a relief fund for health care providers. Other emergency orders and program changes aim to support the financial security of affected residents. Expansions of unemployment insurance benefits, easing of safety net program guidelines, delaying evictions and utility shutoffs during the crisis, and changing requirements related to tax filings are critical actions to provide relief and allow individuals and businesses to stretch their limited resources further.

Responses from the federal government in March primarily came in the form of three major pieces of legislation: the Coronavirus Preparedness and Response Supplemental Appropriations Act, the Families First Coronavirus Response Act, and the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These pieces of legislation expand unemployment benefits and provide an additional $600 weekly benefit for those impacted. Additional provisions include expansions of paid leave, modifications and additional benefits for food assistance programs, direct cash assistance for low- and middle-income tax filers, and emergency aid for small businesses. The federal government also increased Medicaid match payments to states. Additionally, New Hampshire will directly receive $1.25 billion in federal funding to respond to crisis-related needs.

The policy responses at both the federal and state levels have been bold, but more actions will be needed. Continued expansion of access to food assistance, unemployment compensation, and housing supports, along with support for childcare systems, will be critical to assisting Granite Staters both during and after the crisis. Research has shown that public assistance programs act as a boost to the economy during times of recession, while directly aiding those in most need. Moody’s Analytics estimated that, in early 2009, every dollar invested in the Supplemental Nutrition Assistance Program generated $1.74 of economic activity, more than any other tax or expenditure policy examined.

New Hampshire’s revenue streams are likely to be severely impacted in the short term and may not recover fully for the duration of this State Budget biennium. Anticipated revenue shortfalls, and the additional costs incurred in the crisis response, may not be fully offset by federal aid. While the State’s Rainy Day Fund has been bolstered in recent years, multi-state research suggests that New Hampshire is not well prepared for a recession relative to other states. Additional revenue may be needed to support short-term services and invest in long-term economic resiliency. Policies that increase revenues to the State should seek to generate revenue from those with the greatest ability to pay, while avoiding disproportionate impacts on individuals with low incomes and those most affected by the COVID-19 crisis.

Establishing a strong foundation to help all Granite Staters rebuild their economic security, and better weather any subsequent crises, should be the paramount concern as New Hampshire moves through and beyond the COVID-19 crisis.


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