



THE NEW HAMPSHIRE ECONOMY IN 2021 AND 2022

PRESENTED BY PHIL SLETTEN, SENIOR POLICY ANALYST

JOINT ECONOMIC BRIEFING

NEW HAMPSHIRE HOUSE OF REPRESENTATIVES AND SENATE
WAYS AND MEANS AND FINANCE COMMITTEES

MARCH 4, 2022

KEY TAKEAWAYS

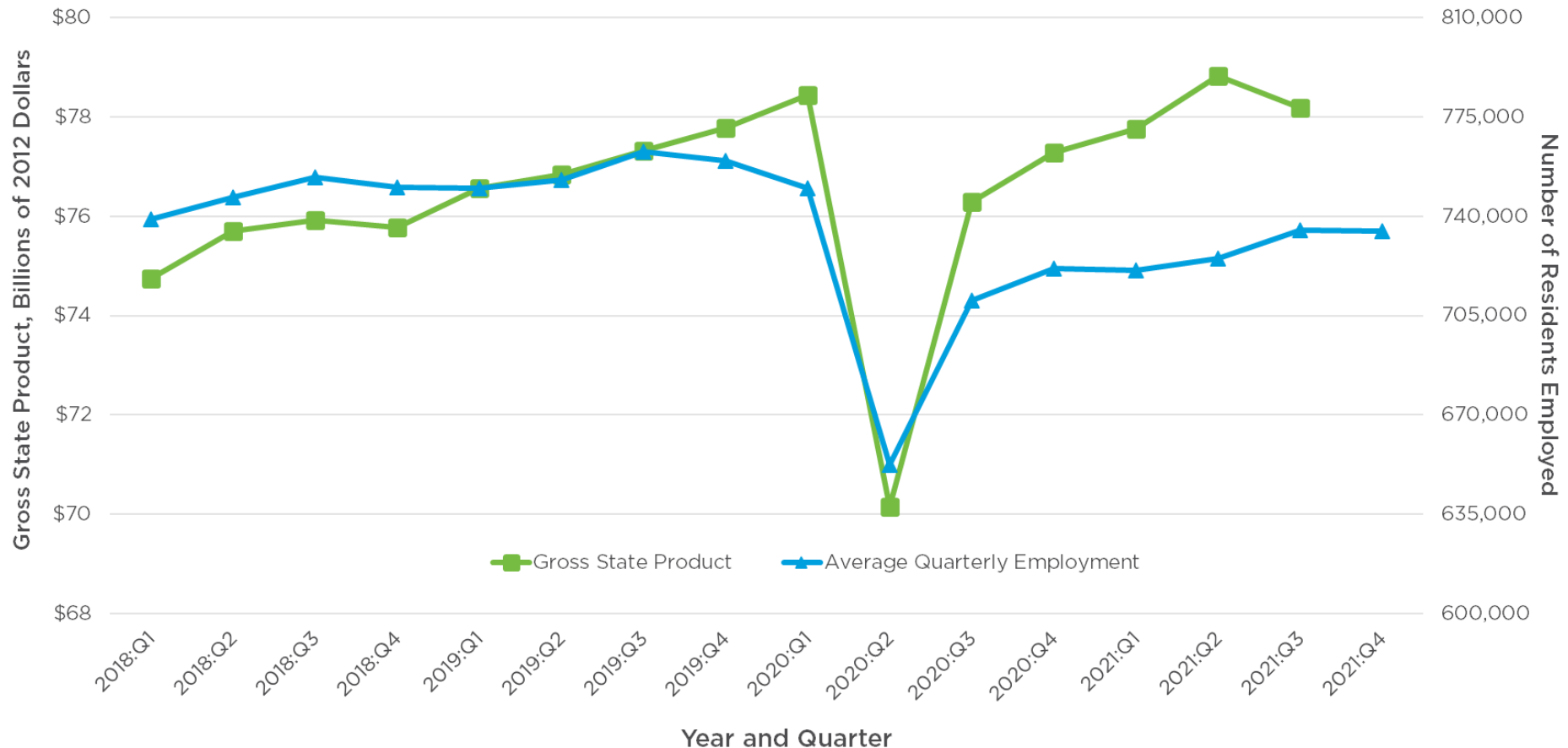
- Economy has recovered from the early period of the COVID-19 crisis, but the recovery has been uneven
- Federal assistance provided significant economic stimulus, mitigated poverty, and boosted incomes in 2021
- Workforce constraints on New Hampshire's economy stem from health and child care limitations, long-term trends
- Inflation may be temporary due to rapid changes in spending on goods and services
- Impacts on household budgets as inflation outpaced median wage growth in 2021
- Significant opportunities for the State to help build an equitable, inclusive recovery with available federal resources

PART 1: HOW HAS NEW HAMPSHIRE'S ECONOMY CHANGED?

STATE ECONOMY RECOVERING, BUT EMPLOYMENT REMAINS LOWER

NEW HAMPSHIRE'S ECONOMY AND EMPLOYMENT

Inflation-Adjusted Quarterly Gross State Product and Three-Month Averages of Employment

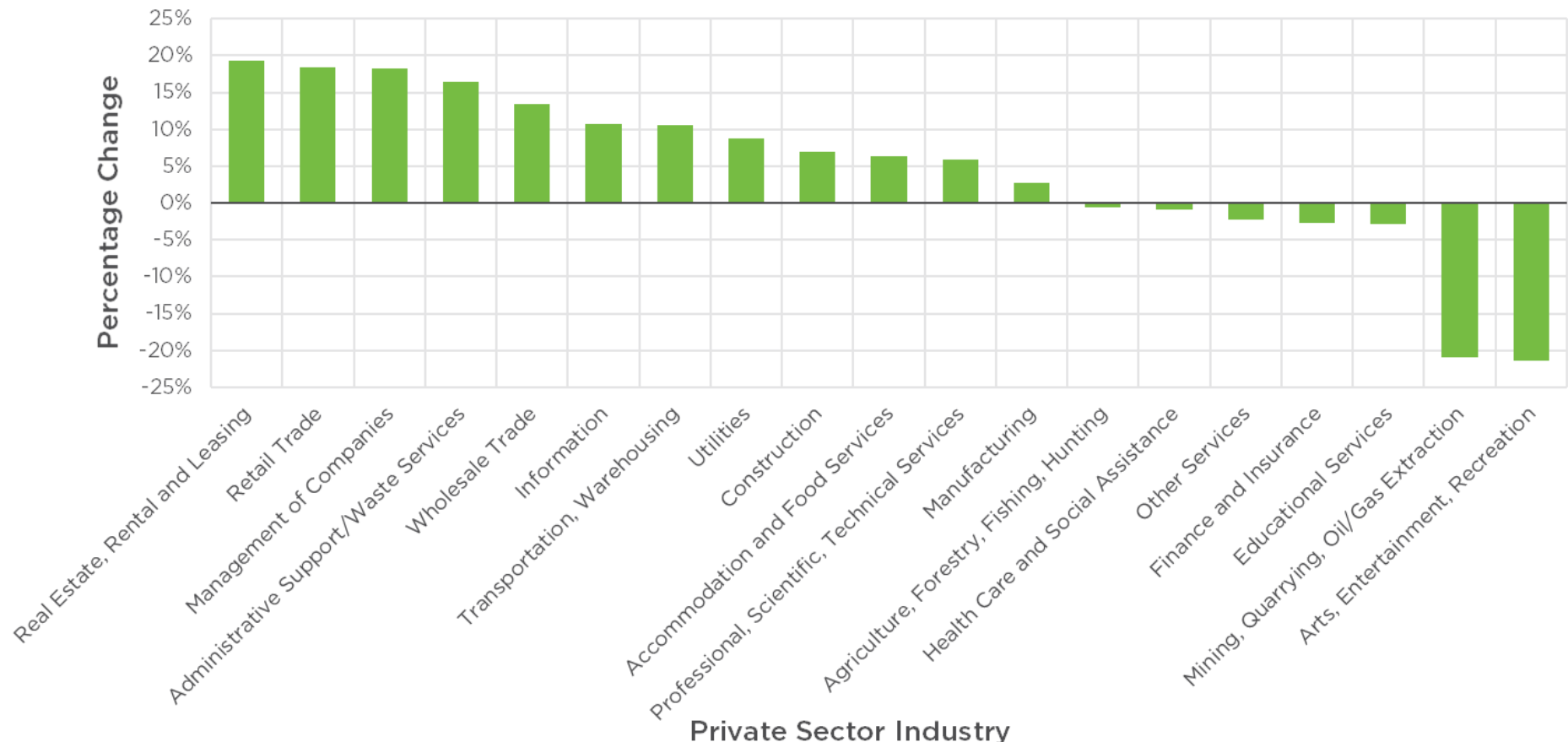


Sources: U.S. Bureau of Economic Analysis, New Hampshire Employment Security

REAL ESTATE, PHYSICAL GOODS SALES GROWING IN MOST RECENT DATA

CHANGES IN NEW HAMPSHIRE GROSS STATE PRODUCT BY INDUSTRY

Change from Quarters 2 and 3 of 2019 to Quarters 2 and 3 of 2021, Unadjusted for Inflation



Private Sector Industry

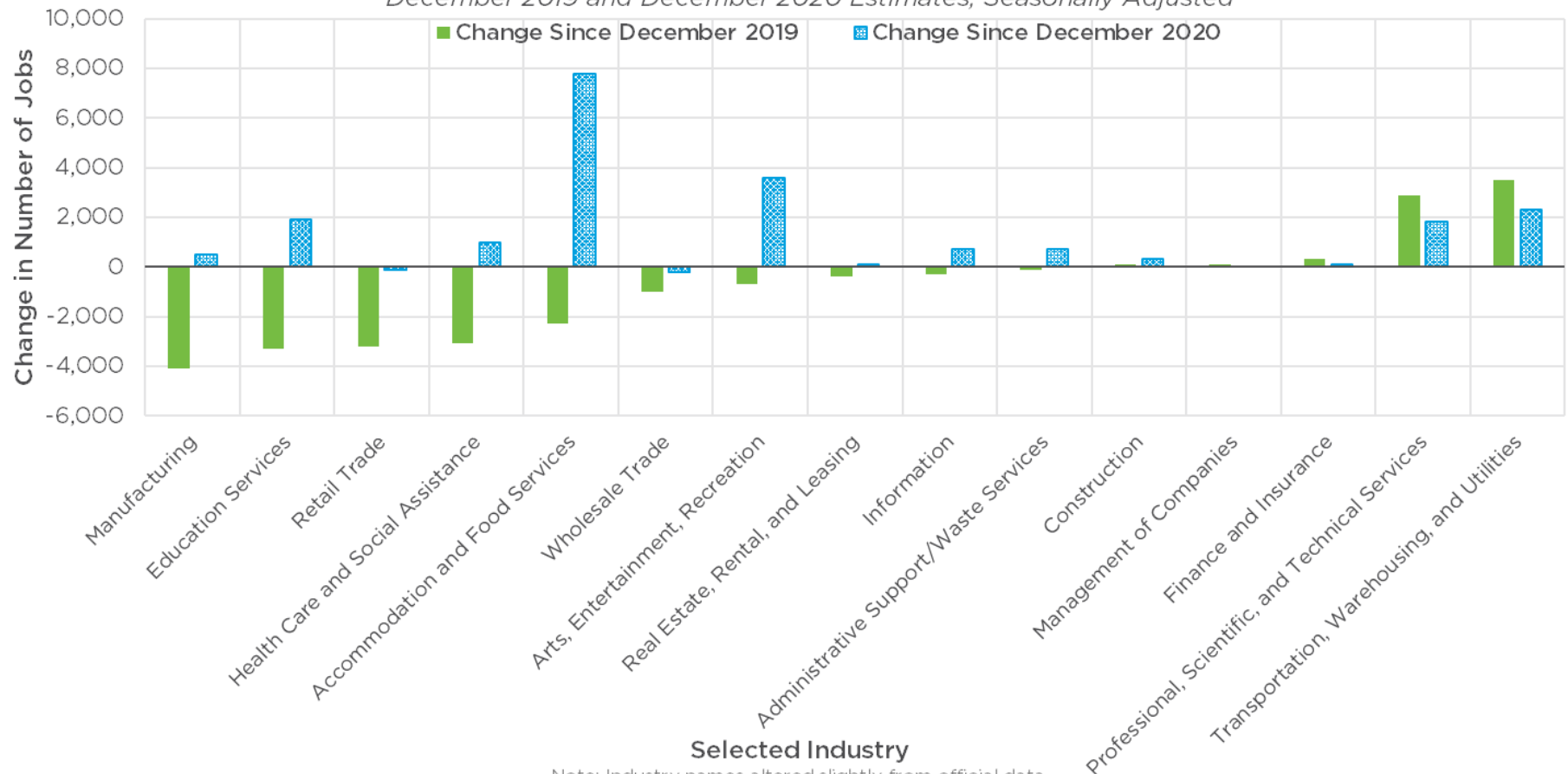
Note: Industry names altered slightly from official data.

Source: U.S. Bureau of Economic Analysis

EMPLOYMENT SHIFTS BY INDUSTRY SHOW UNEVEN PACE OF RECOVERY

CHANGES IN ESTIMATED NUMBERS OF JOBS BY SELECTED INDUSTRY

New Hampshire, Unbenchmarked December 2021 Preliminary Estimates Compared to Benchmarked December 2019 and December 2020 Estimates, Seasonally Adjusted

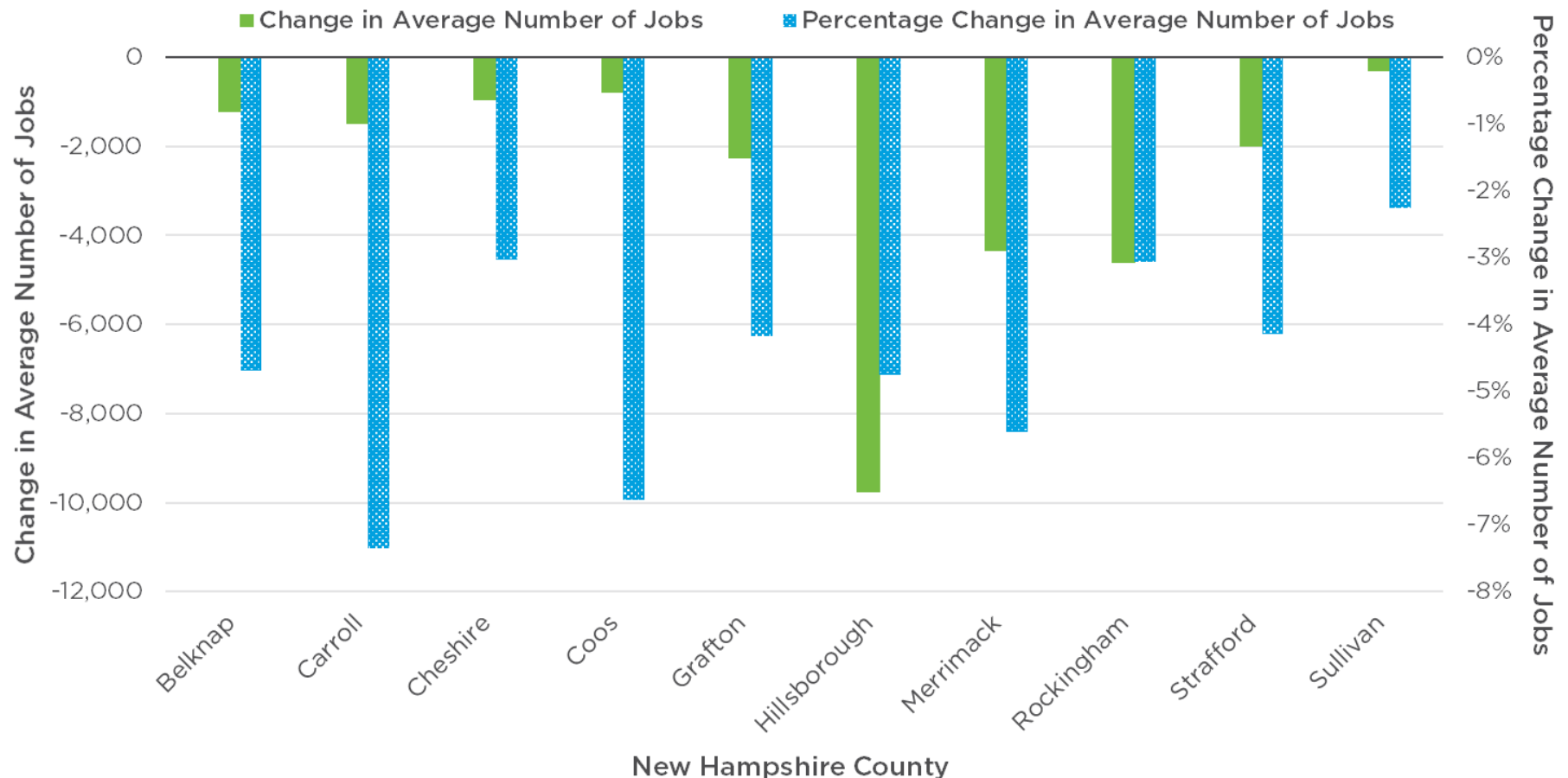


Note: Industry names altered slightly from official data.
Source: New Hampshire Employment Security

RECOVERY'S PROGRESS DIFFERS BY COUNTY

CHANGES IN JOBS BY NEW HAMPSHIRE COUNTY

Change from January-September 2019 Average to January-September 2021 Average



Source: New Hampshire Employment Security, Census of Employment and Wages

PART 2:
**THE STATE ECONOMY'S EVOLUTION,
EXPLAINED THROUGH THE ANSWERS
TO QUESTIONS FROM JANUARY 2021**

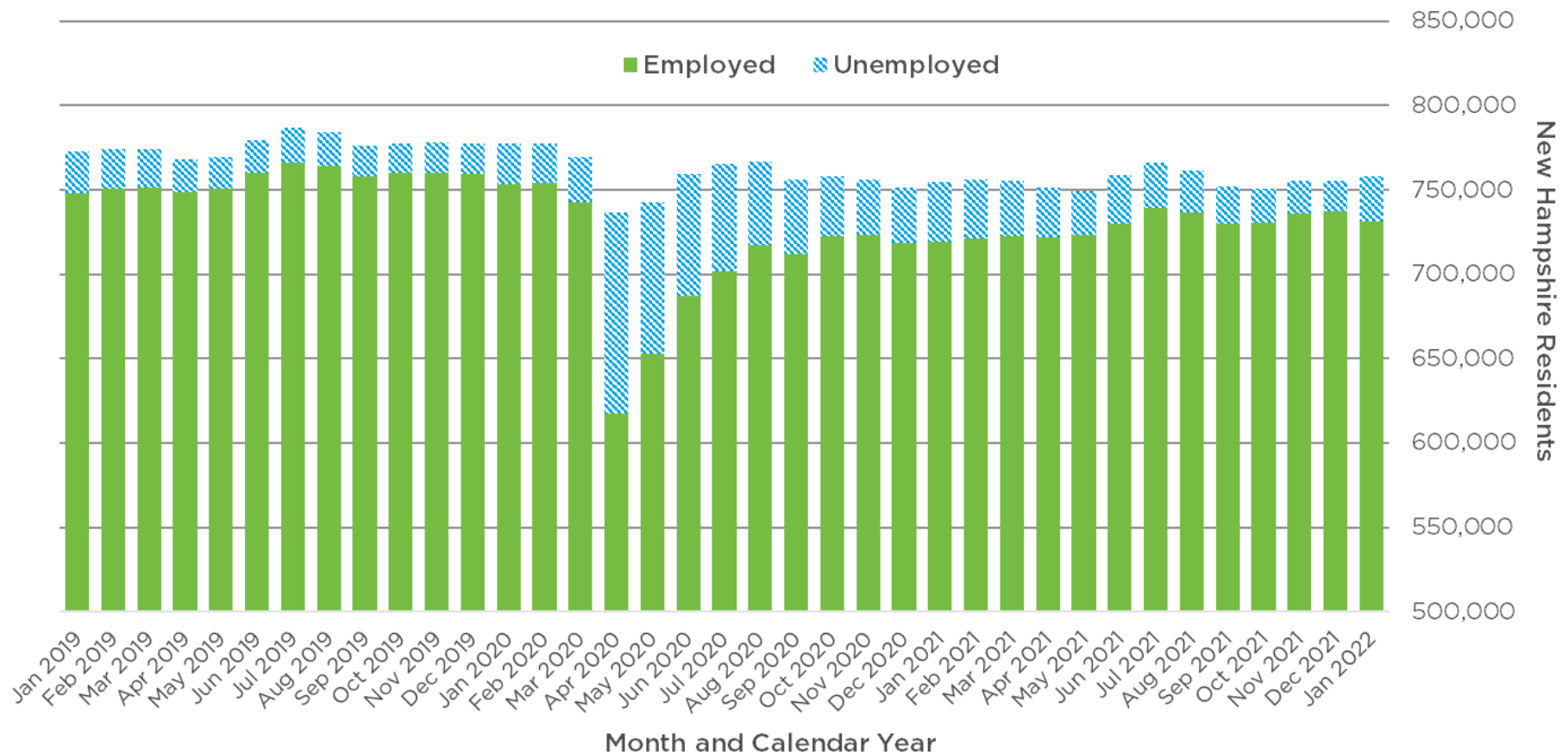
KEY QUESTIONS FOR THE ECONOMY FROM JANUARY 2021

- Will workers be able to rejoin the workforce efficiently?
- Will there be sufficient training or educational opportunities to prepare people to enter a post-pandemic economy?
- Will employment income losses lead to a more “regular” recession, or will recovery happen more quickly?
- Will wages grow meaningfully for low-income workers?
- Will there be additional federal action to support the economy and the ability of residents to make ends meet?
- What role will the state play in supporting the recovery?
- What happens to the international economy and trade?
- What happens to commercial property, tourism, other areas?

WILL WORKERS BE ABLE TO REJOIN THE WORKFORCE EFFICIENTLY?

TOTAL WORKFORCE SIZE REMAINS BELOW PRE-PANDEMIC LEVELS

NEW HAMPSHIRE RESIDENTS EMPLOYED AND UNEMPLOYED WHILE ACTIVELY SEEKING WORK

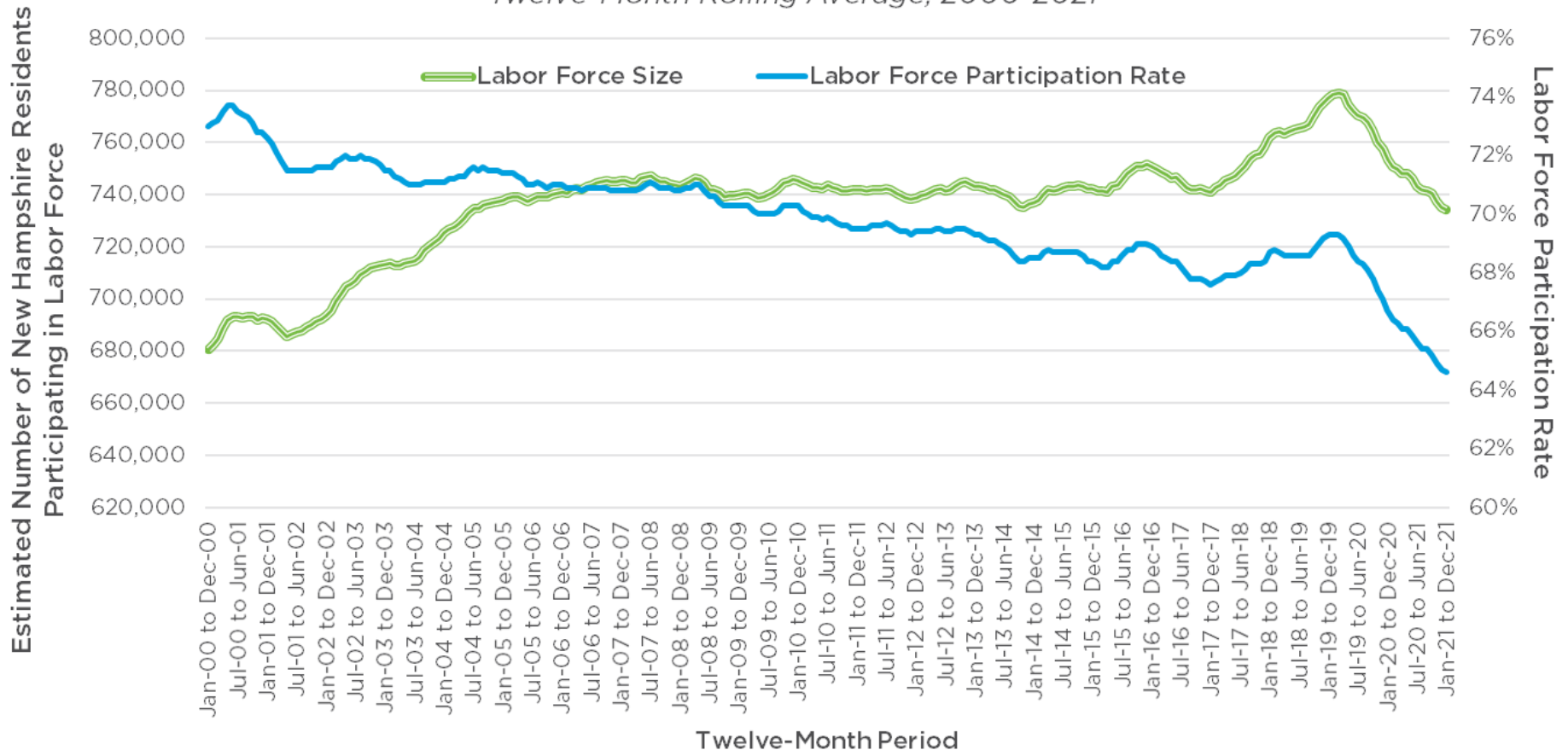


Source: New Hampshire Employment Security, Local Area Unemployment Statistics, Not Seasonally Adjusted

PANDEMIC MAY HAVE ACCELERATED A LONG-TERM DECLINE

NEW HAMPSHIRE'S LABOR FORCE SIZE AND PARTICIPATION RATE

Twelve-Month Rolling Average, 2000-2021

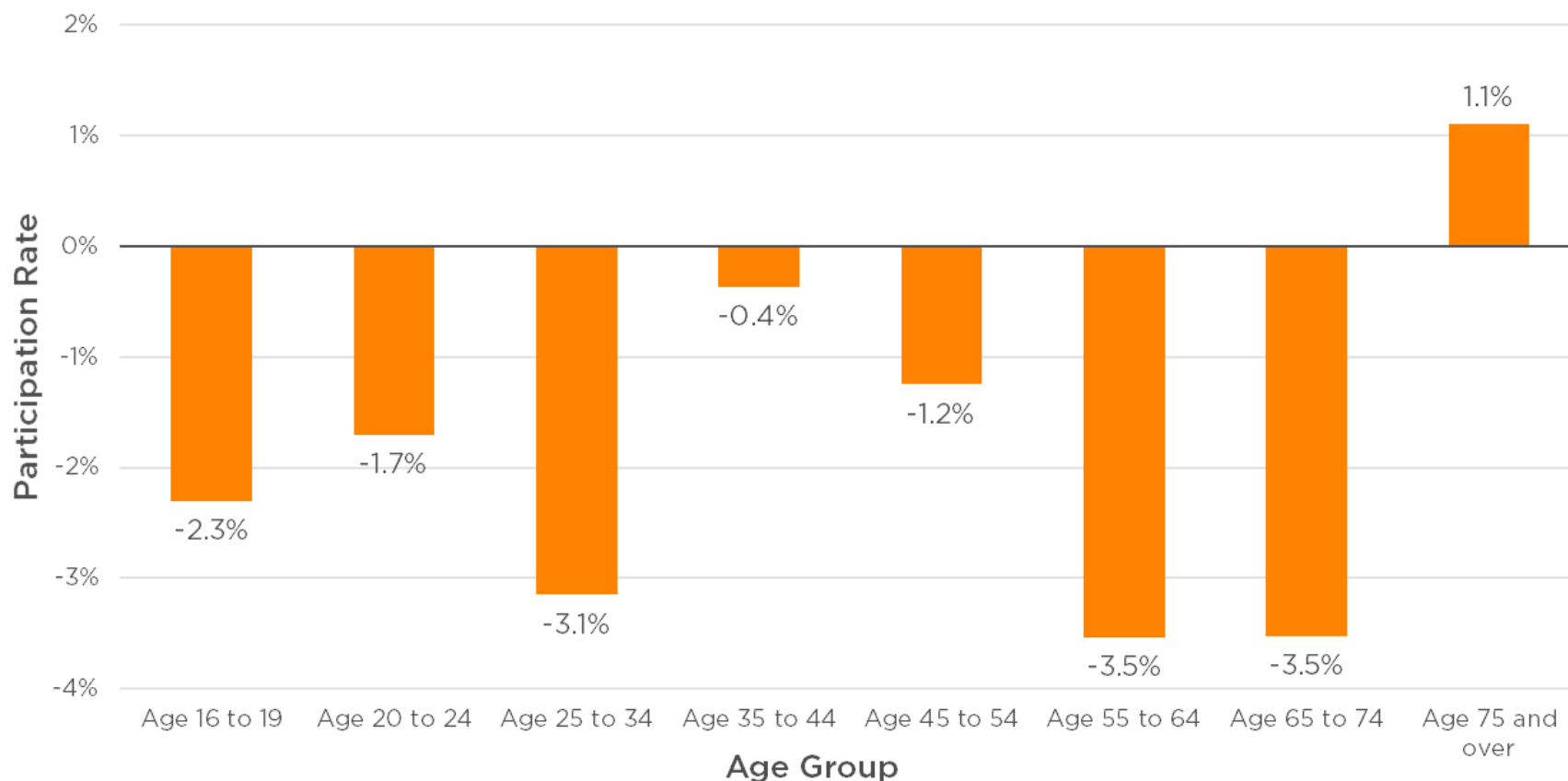


Source: New Hampshire Employment Security, Unpublished Current Population Survey Data

OLDER AND YOUNGER ADULTS MORE LIKELY TO HAVE LEFT LABOR FORCE

CHANGE IN LABOR FORCE PARTICIPATION RATES BY AGE

New Hampshire, Change from 2019 to 2021

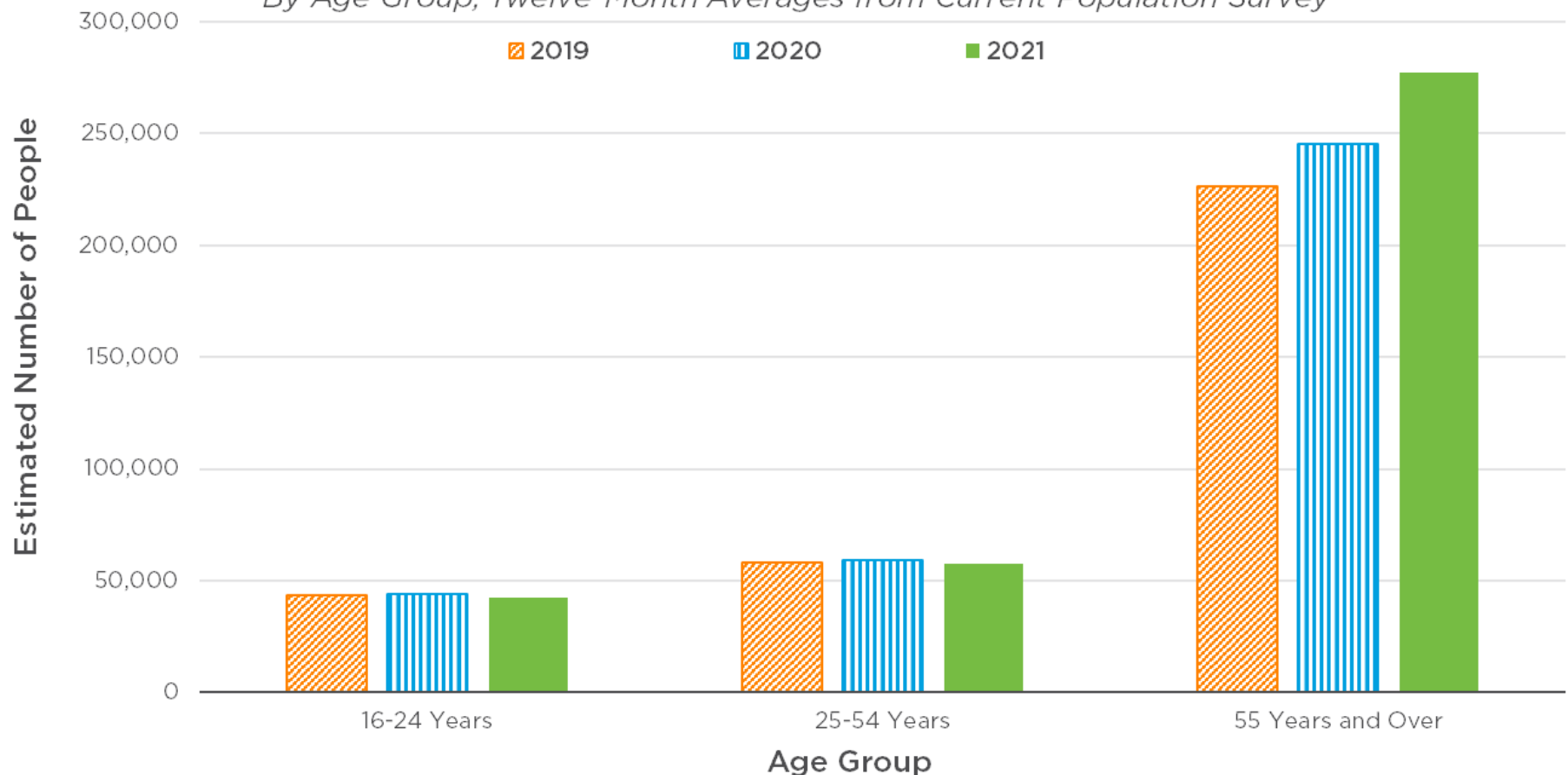


Source: New Hampshire Employment Security

OLDER ADULTS APPEAR TO BE LESS LIKELY TO BE SEEKING EMPLOYMENT

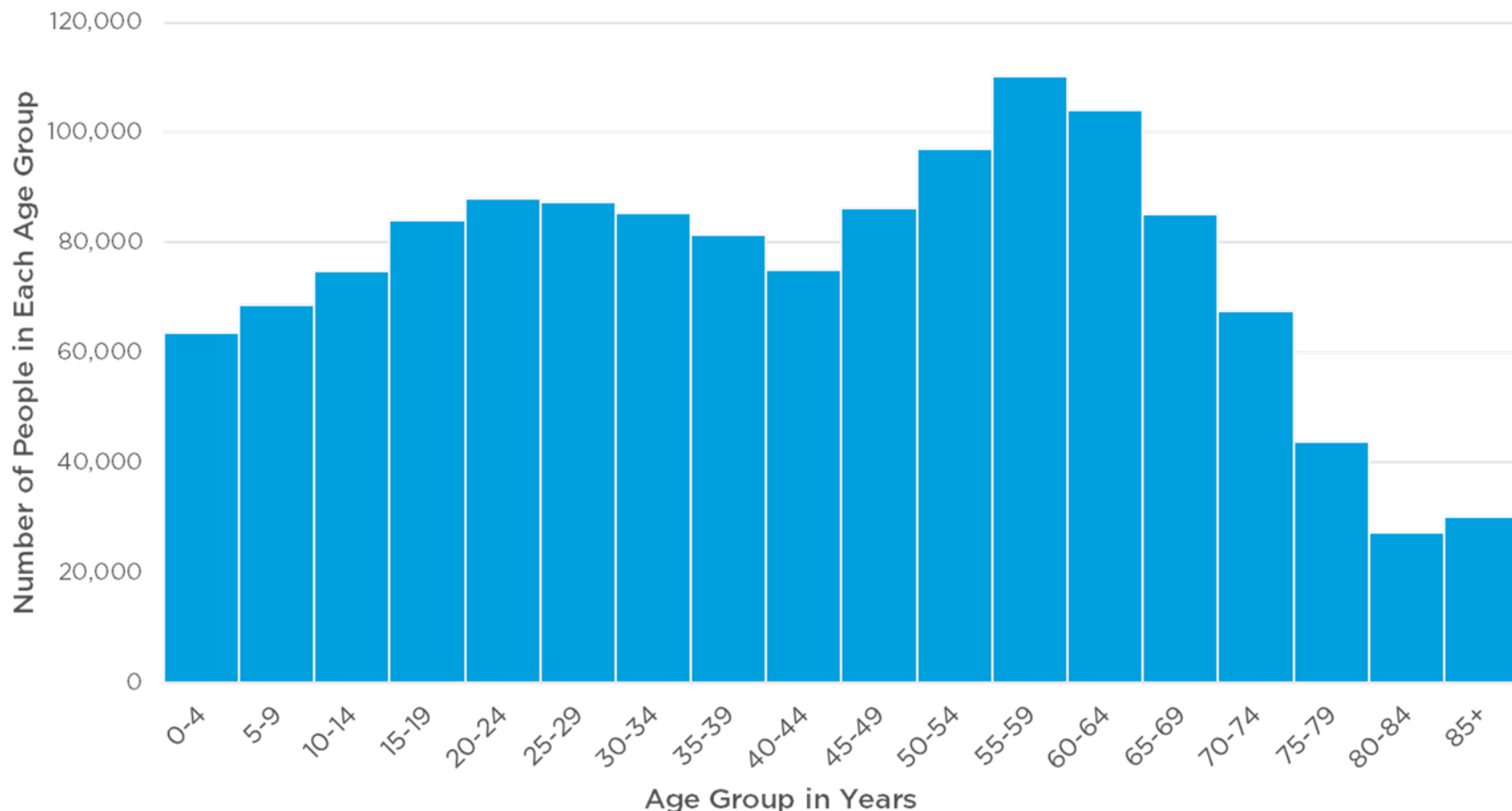
ESTIMATED NUMBER OF NEW HAMPSHIRE RESIDENTS WHO DO NOT WANT A JOB NOW

By Age Group, Twelve-Month Averages from Current Population Survey



LONG-TERM TRENDS LIKELY DRIVEN BY AGE STRUCTURE OF STATE POPULATION

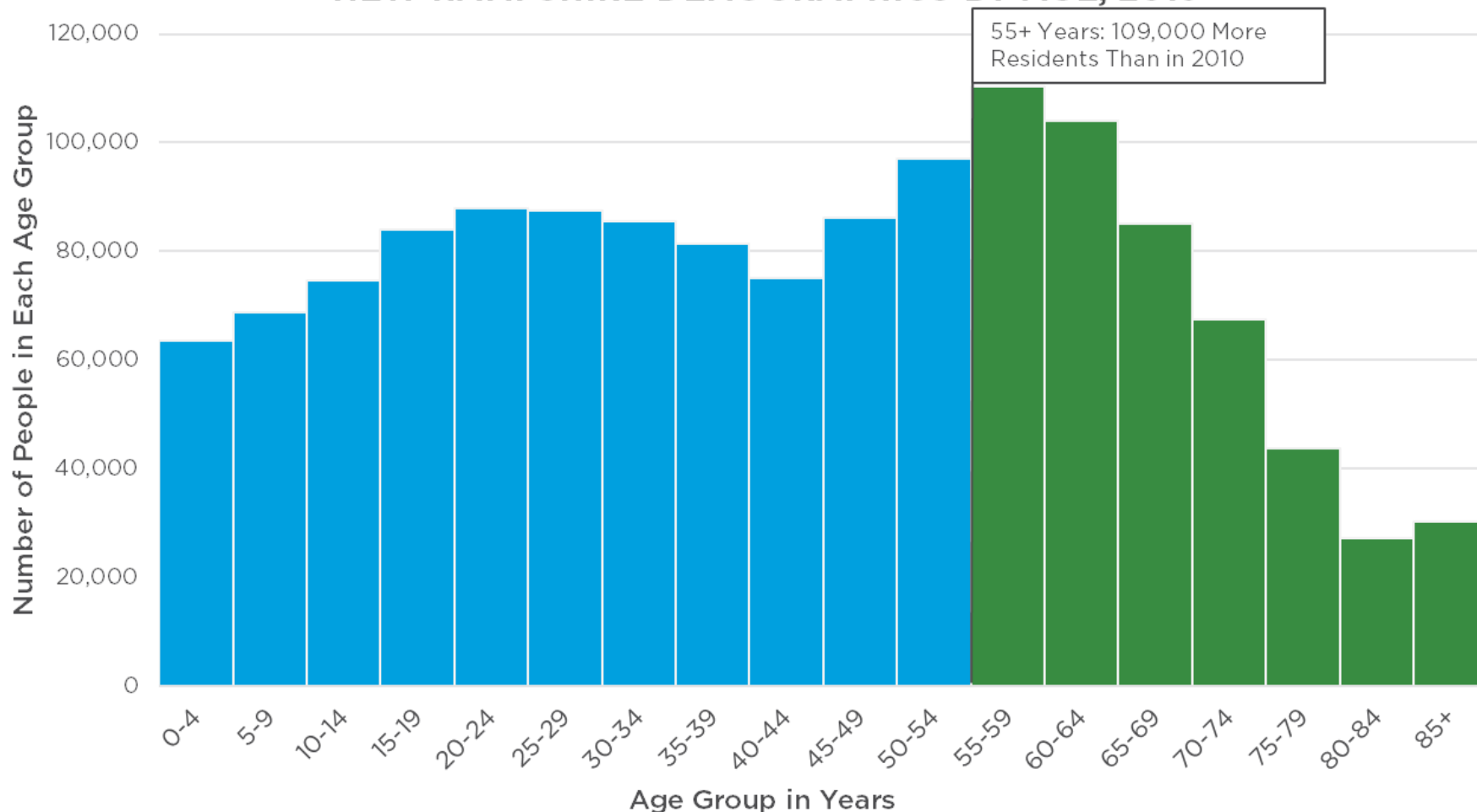
NEW HAMPSHIRE DEMOGRAPHICS BY AGE, 2019



Source: U.S. Census Bureau Population Estimates Program, July 1 Estimates

LONG-TERM TRENDS LIKELY DRIVEN BY AGE STRUCTURE OF STATE POPULATION

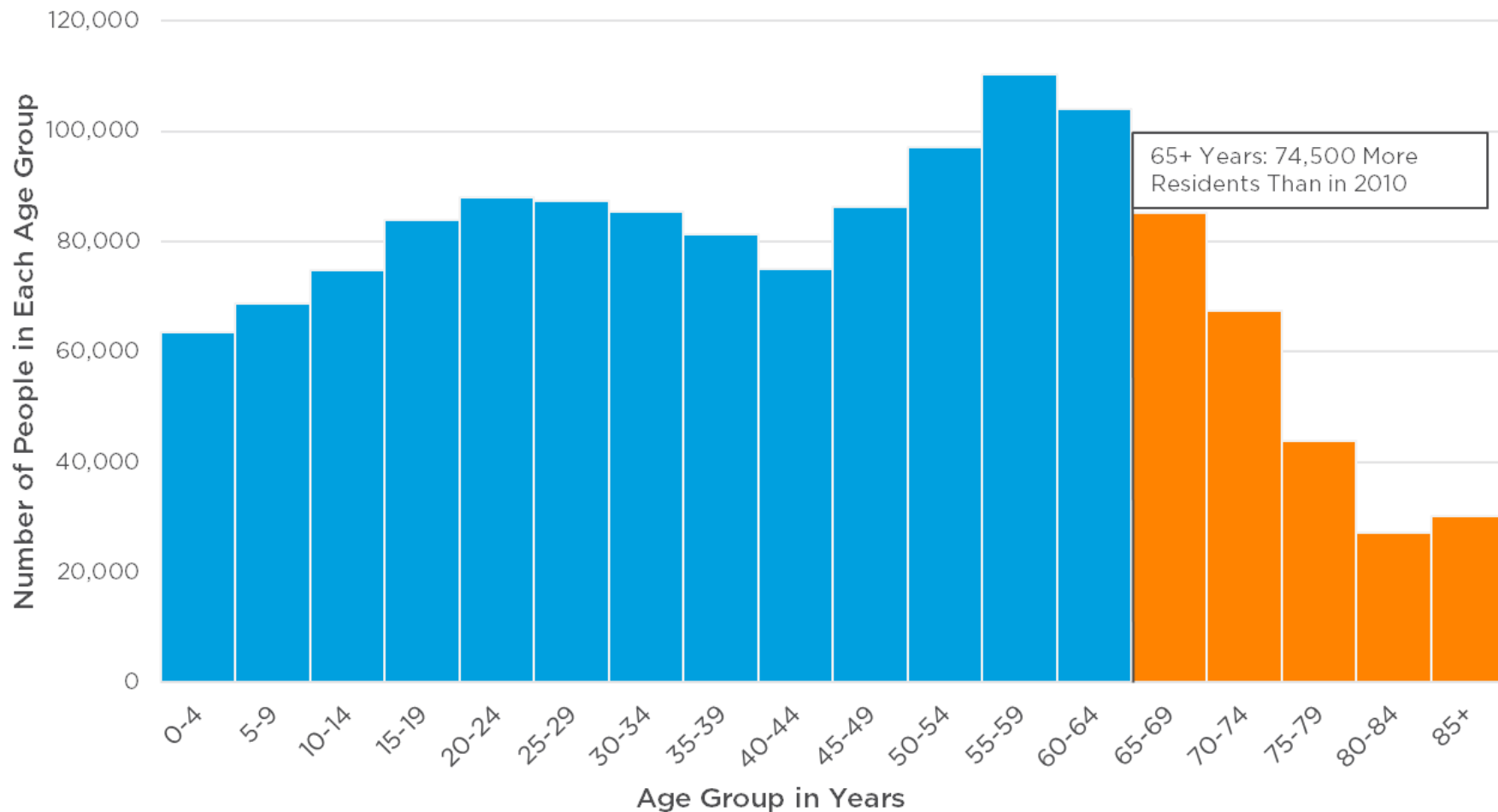
NEW HAMPSHIRE DEMOGRAPHICS BY AGE, 2019



Source: U.S. Census Bureau Population Estimates Program, July 1 Estimates

LONG-TERM TRENDS LIKELY DRIVEN BY AGE STRUCTURE OF STATE POPULATION

NEW HAMPSHIRE DEMOGRAPHICS BY AGE, 2019

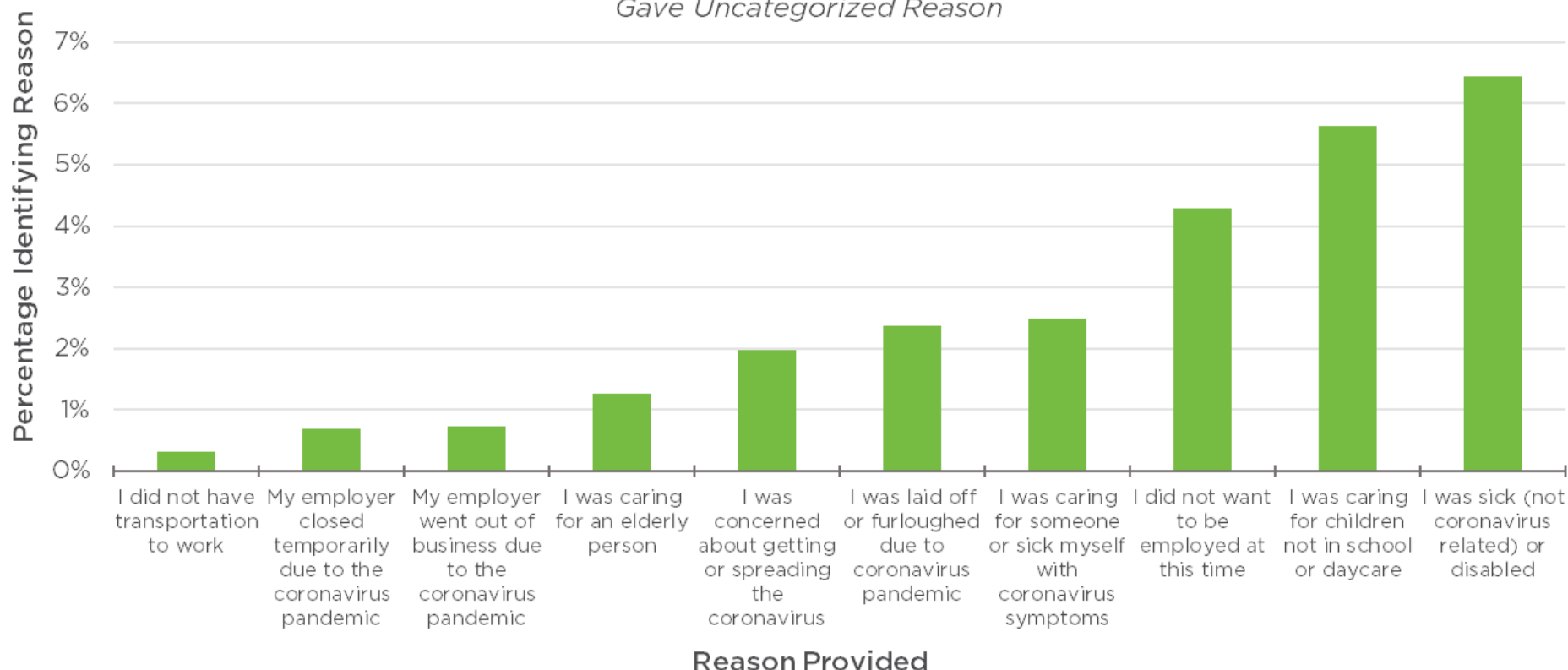


Source: U.S. Census Bureau Population Estimates Program, July 1 Estimates

ILLNESS OR DISABILITY, LACK OF CHILD CARE TOP REASONS FOR NOT WORKING

STATED REASONS FOR NOT WORKING

*Based on Surveys of New Hampshire Adults,
July 21, 2021-October 11, 2021 and December 1, 2021-February 7, 2022
Excluding Respondents who are Working, Identified as Retired (Half of People Not Working),
Gave Uncategorized Reason*

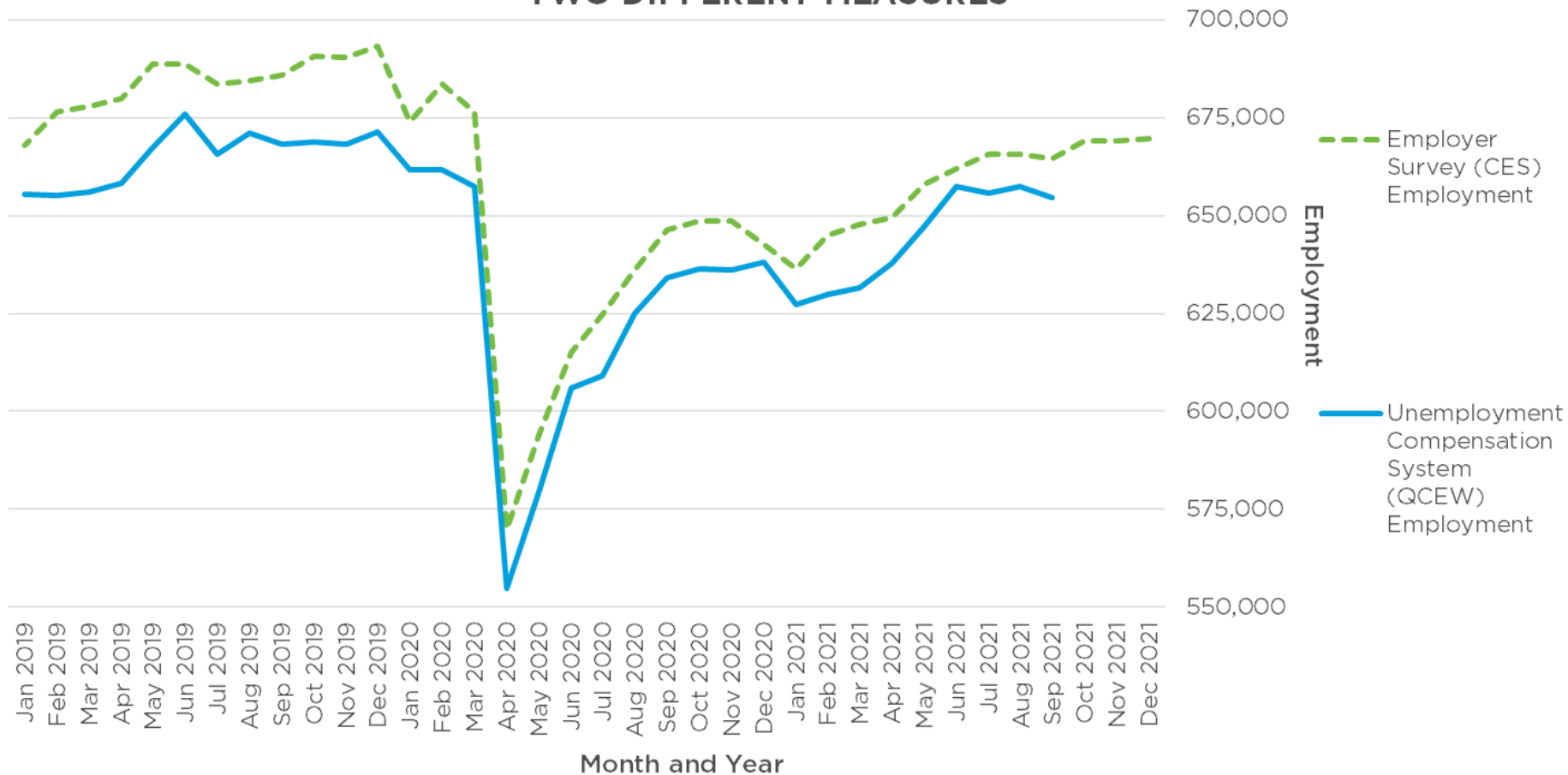


Source: U.S. Census Bureau, Household Pulse Survey. Note: Insufficient data cells assumed to be zero for purposes of averages.

**WILL EMPLOYMENT INCOME LOSSES
LEAD TO A MORE “REGULAR”
RECESSION, OR WILL RECOVERY
HAPPEN MORE QUICKLY?**

EMPLOYMENT GROWTH SLOWING FROM PANDEMIC, OTHER CONSTRAINTS

CHANGES IN EMPLOYMENT IN NEW HAMPSHIRE,
TWO DIFFERENT MEASURES

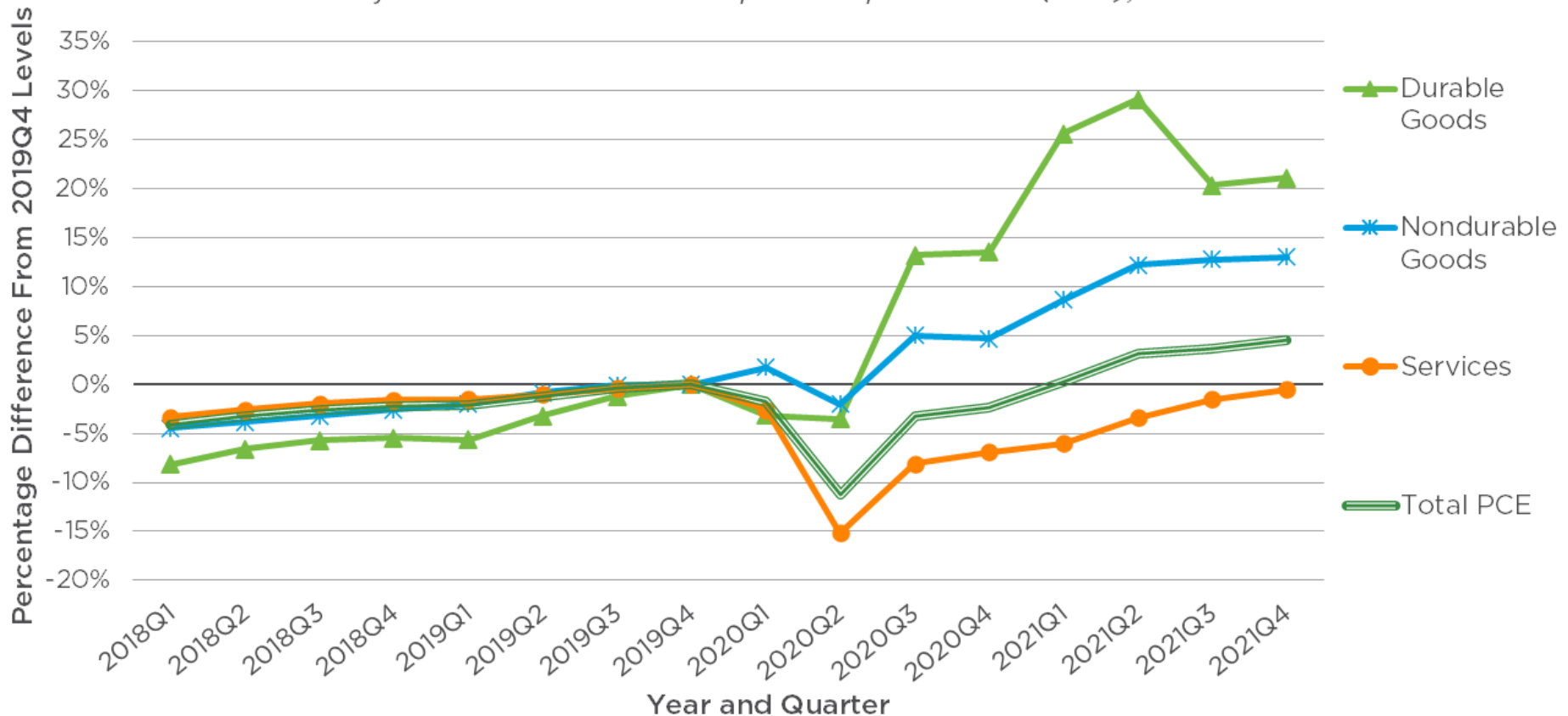


Source: New Hampshire Employment Security, GraniteStats

INFLATION RISK, WITH ECONOMY STILL UNSETTLED BY TEMPORARY FACTORS

SPENDING ON GOODS AND SERVICES

Inflation-Adjusted Personal Consumption Expenditures (PCE), United States



Note: Durable goods include longer-lasting products, such as vehicles and household furnishings, while nondurable goods include more temporary products such as groceries, clothing, and gasoline. Inflation adjustment to chained 2012 dollars.

Source: U.S. Bureau of Economic Analysis, February 28, 2022

SHIFTS IN HOUSEHOLD EXPENDITURES IN NEW HAMPSHIRE

CHANGES IN SPENDING ON GOODS AND SERVICES PER PERSON IN NEW HAMPSHIRE, 2019-2020

Personal Consumption Expenditures (PCE)



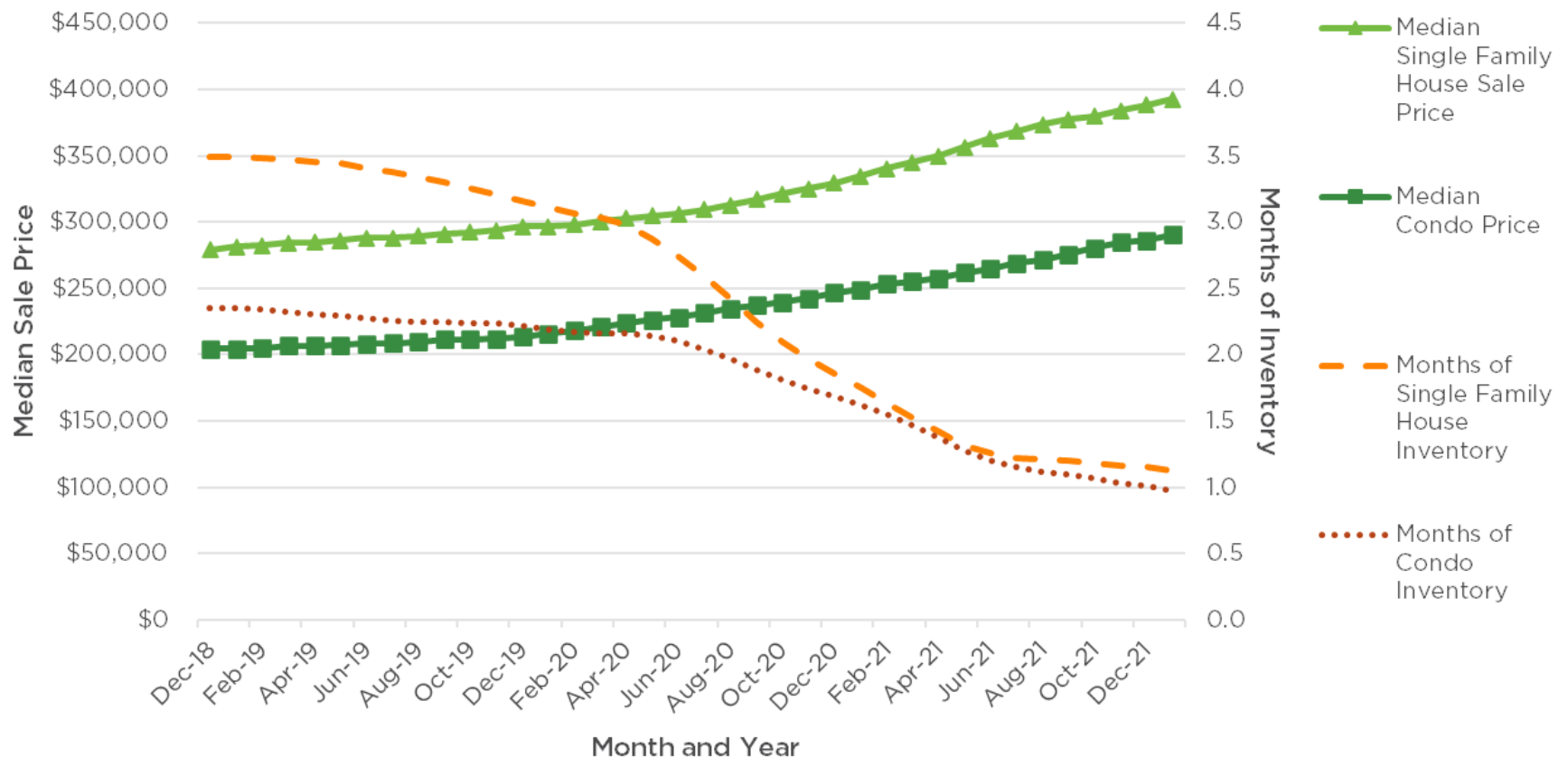
Note: Durable goods include longer-lasting products, such as vehicles and household furnishings, while nondurable goods include more temporary products such as groceries, clothing, and gasoline. Inflation adjustment to chained 2012 dollars.

Source: U.S. Bureau of Economic Analysis

HOUSING SUPPLY AND COSTS A CRITICAL CONSTRAINT IN NEW HAMPSHIRE

HOUSE AND CONDO PRICES AND SUPPLY

New Hampshire Single Family Home and Condo Median Sale Prices and Months of Inventory, Twelve Month Rolling Averages

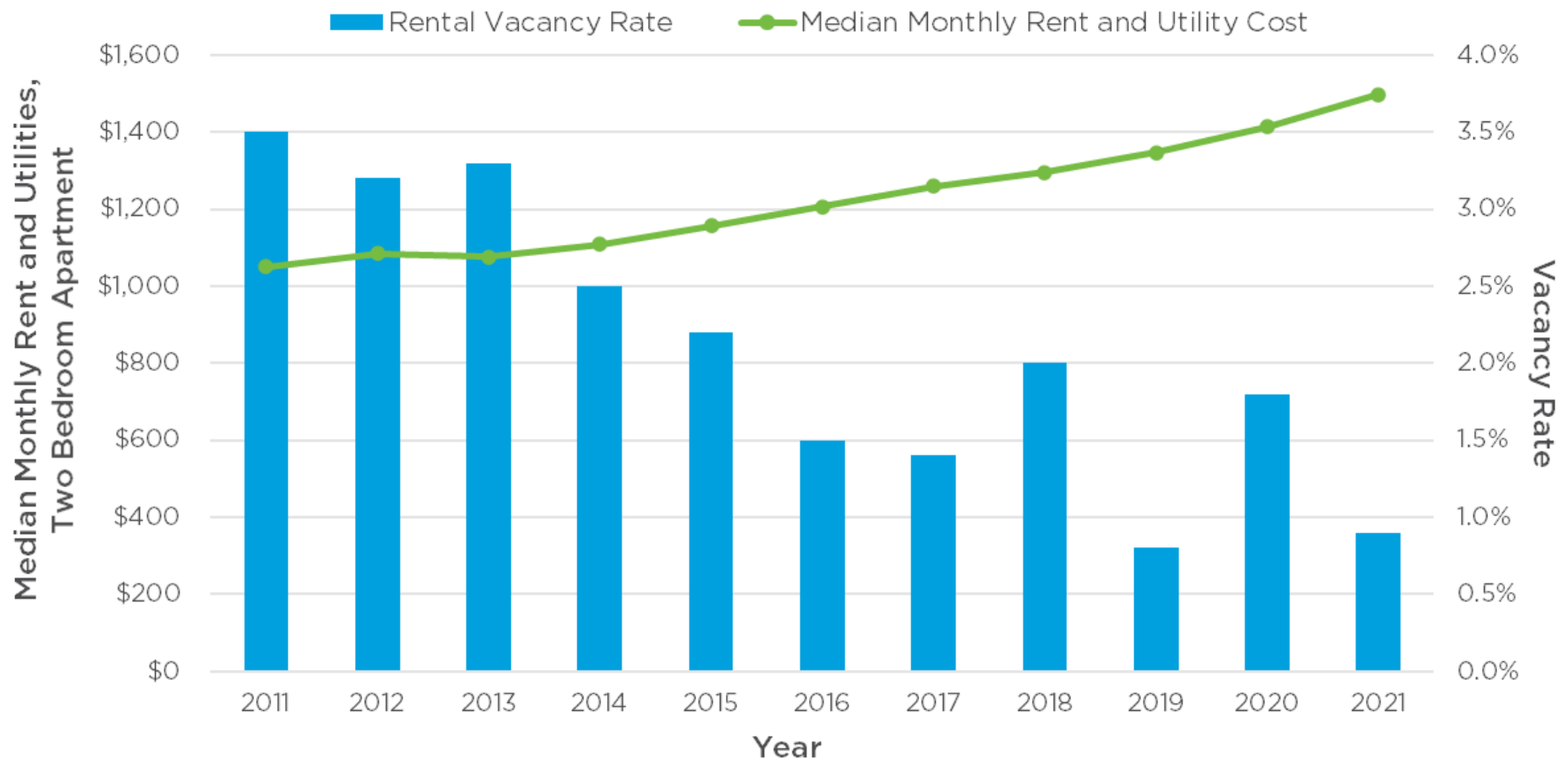


Source: New Hampshire Association of Realtors, January 2022

RENTAL COSTS REMAIN ON LONG-TERM UPWARD TREND, LIMITED SUPPLY

MEDIAN MONTHLY RENTAL COSTS AND VACANCY RATES

New Hampshire Statewide Data, Two Bedroom Apartments

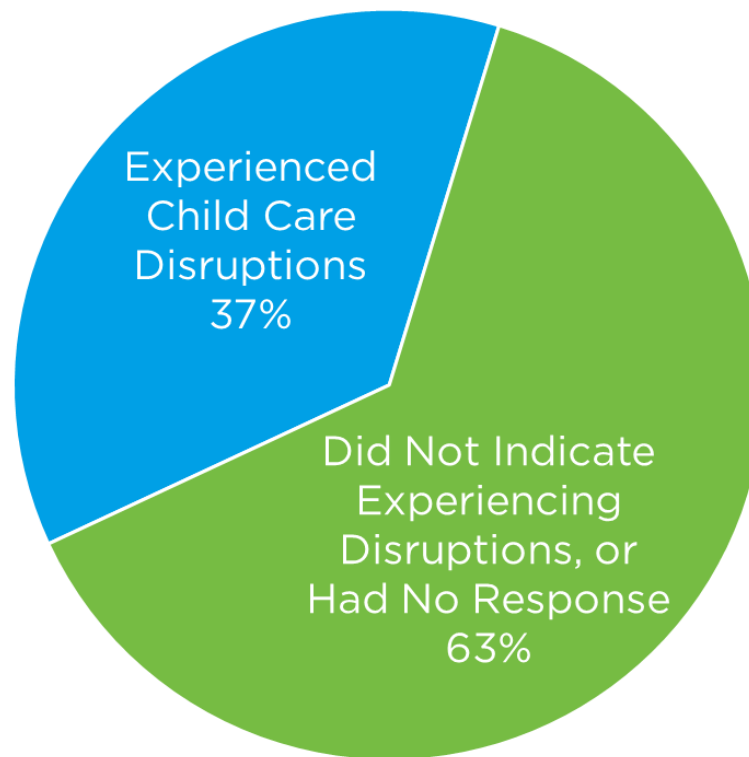


Source: New Hampshire Housing Finance Authority

CONTINUED DIRECT IMPACTS OF VIRUS, CHILD CARE ACCESS SLOW RECOVERY

CHILD CARE DISRUPTIONS FOR YOUNG CHILDREN

Percentage of New Hampshire Adults in Households
Where Children Under 5 Were Unable to Attend Child
Care Arrangements in the Last 4 Weeks



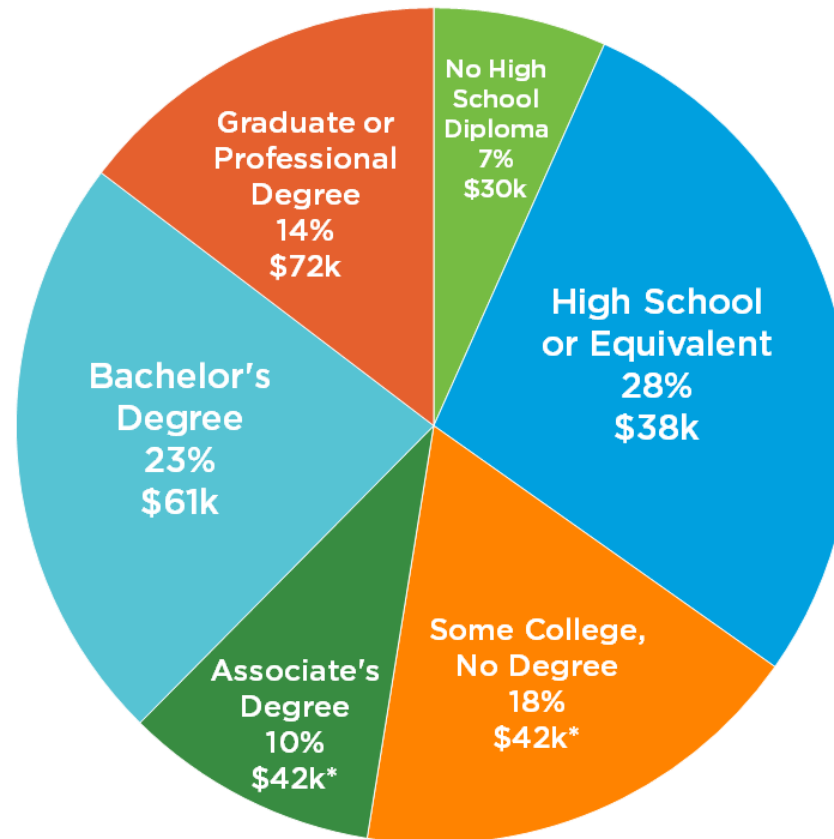
Note: Average of survey response results from September 1, 2021 to January 10, 2022.
Source: U.S. Census Bureau, Household Pulse Survey, accessed January 30, 2022

**WILL THERE BE SUFFICIENT
TRAINING OR EDUCATION
OPPORTUNITIES TO PREPARE PEOPLE
TO ENTER A POST-PANDEMIC
ECONOMY?**

INCOMES RISE WITH EDUCATIONAL ATTAINMENT FOR GRANITE STATE ADULTS

EDUCATIONAL ATTAINMENT IN NEW HAMPSHIRE

Age 25 Years and Older, 2019 Estimates with Median Annual Incomes

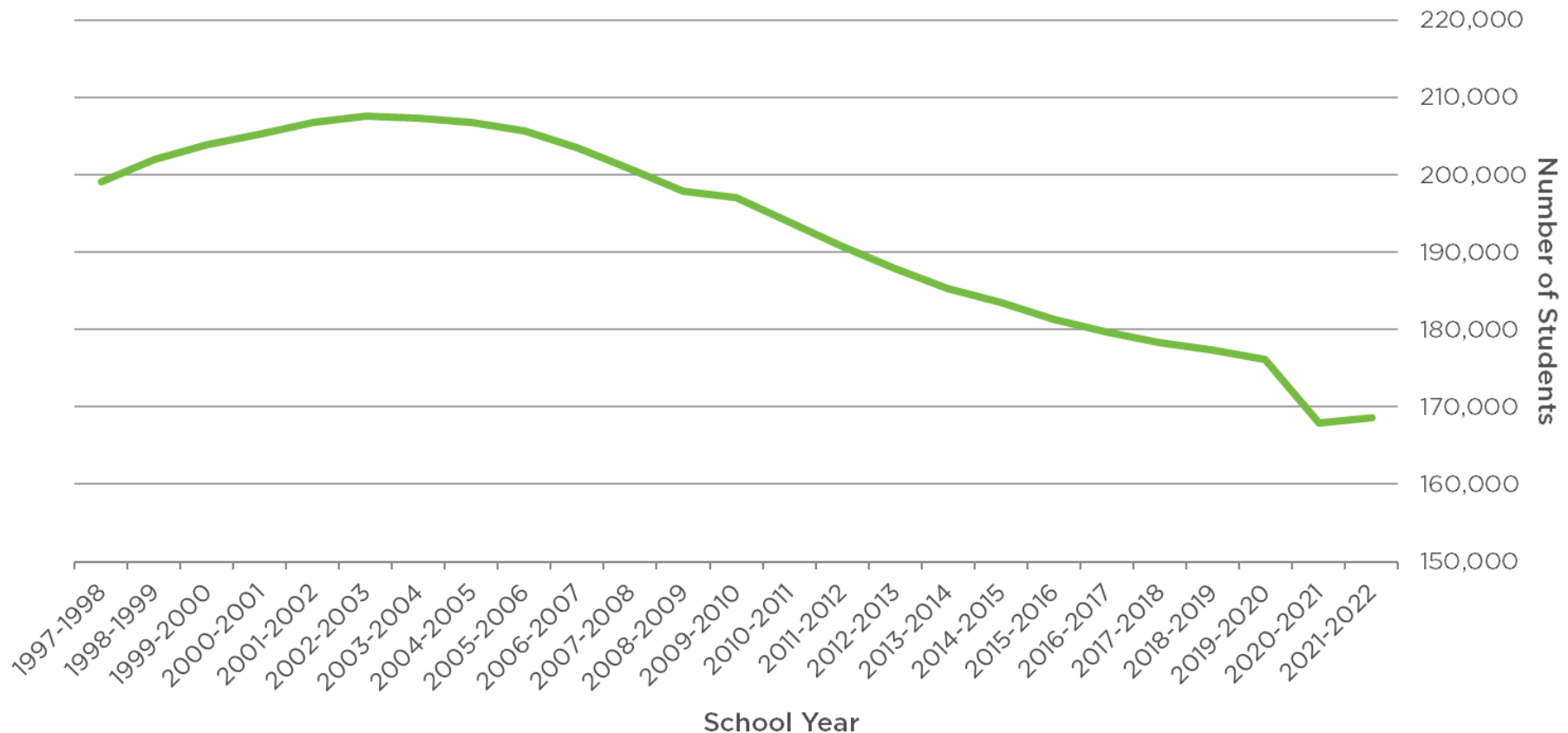


*Note: The U.S. Census Bureau does not calculate separate measures for median incomes for individuals with "Some College, No Degree" and "Associate's Degree" in published tables for New Hampshire.
Source: U.S. Census Bureau, American Community Survey, 2019 One-Year Data

FEWER CHILDREN IN PUBLIC SCHOOL REFLECTS DEMOGRAPHICS, PANDEMIC

NEW HAMPSHIRE STUDENT ENROLLMENT

Statewide Enrollments in Public Schools, October Enrollment Counts



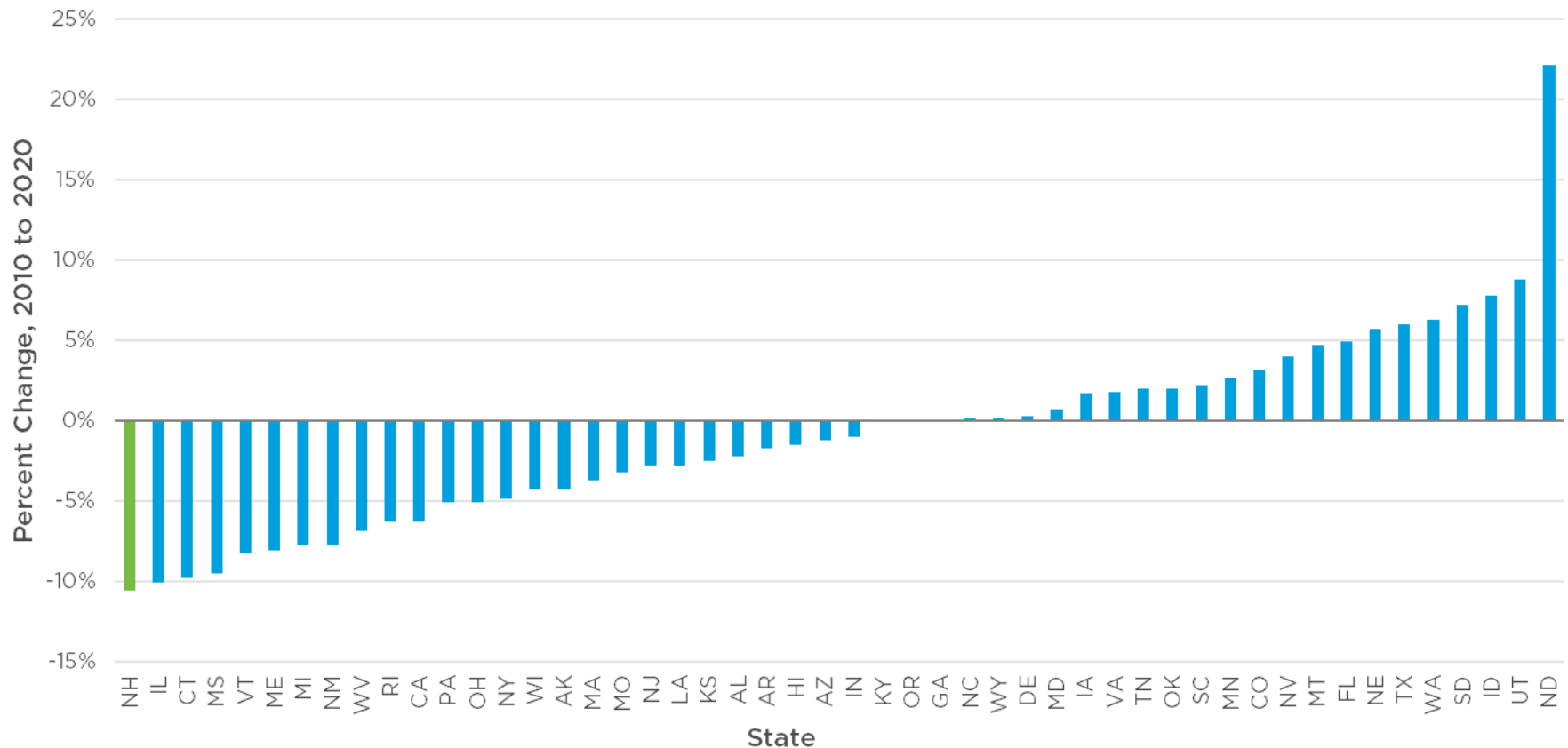
Note: Enrollments include public district schools, public academies, joint maintenance agreements and public charter schools

Sources: New Hampshire Department of Education, Enrollments/County Enrollments by Grade Reports, 2007 through 2022

EDUCATION OPPORTUNITIES FOR YOUNG AND OLDER KEY FOR FUTURE ECONOMY

NEW HAMPSHIRE SAW LARGEST PERCENTAGE REDUCTION IN NUMBER OF CHILDREN IN ANY STATE, 2010-2020

Change in Population Under 18 Years Old by U.S. State



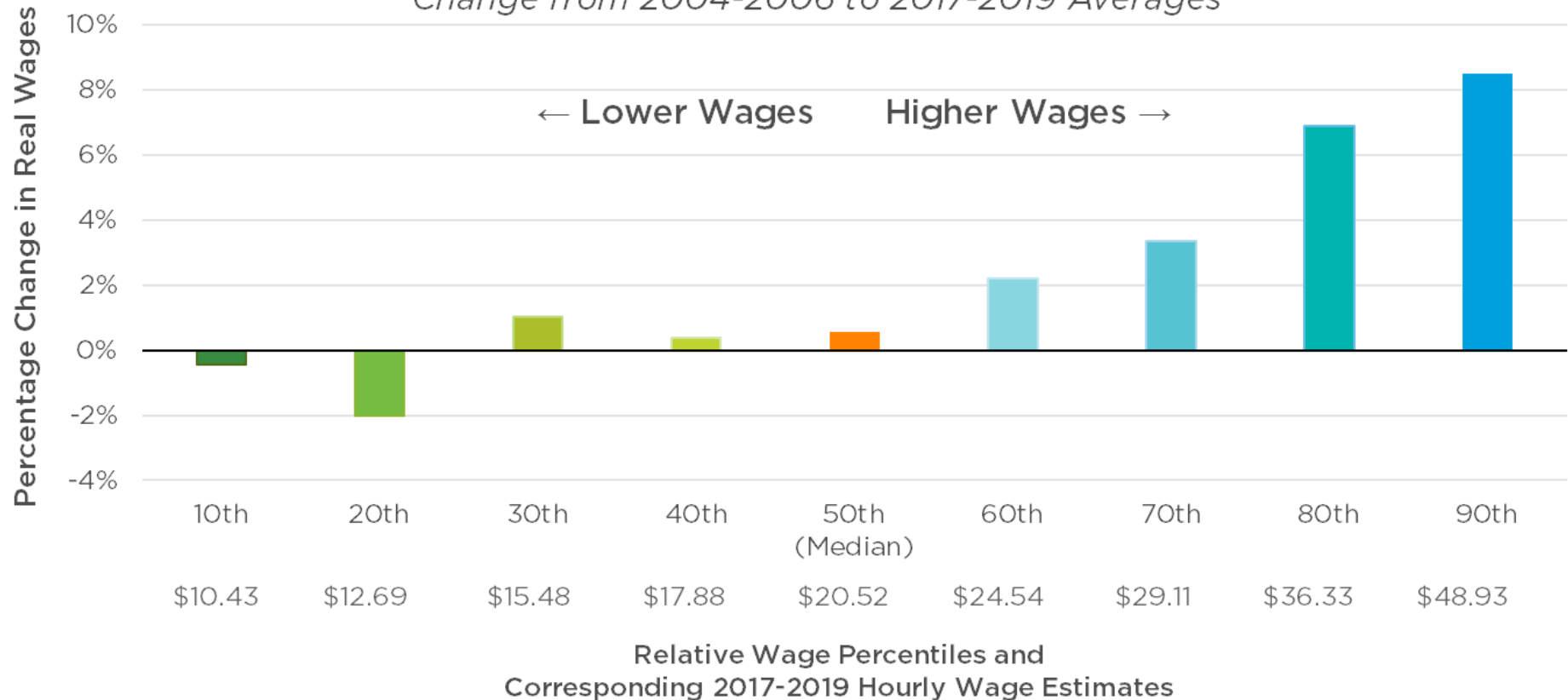
Source: U.S. Census Bureau, *Population Under Age 18 Declined Last Decade*, August 12, 2021

WILL WAGES GROW MEANINGFULLY?

IN THE LAST RECOVERY, REAL WAGES DID NOT GROW FOR MANY WORKERS

NEW HAMPSHIRE WAGE CHANGES BY DECILE

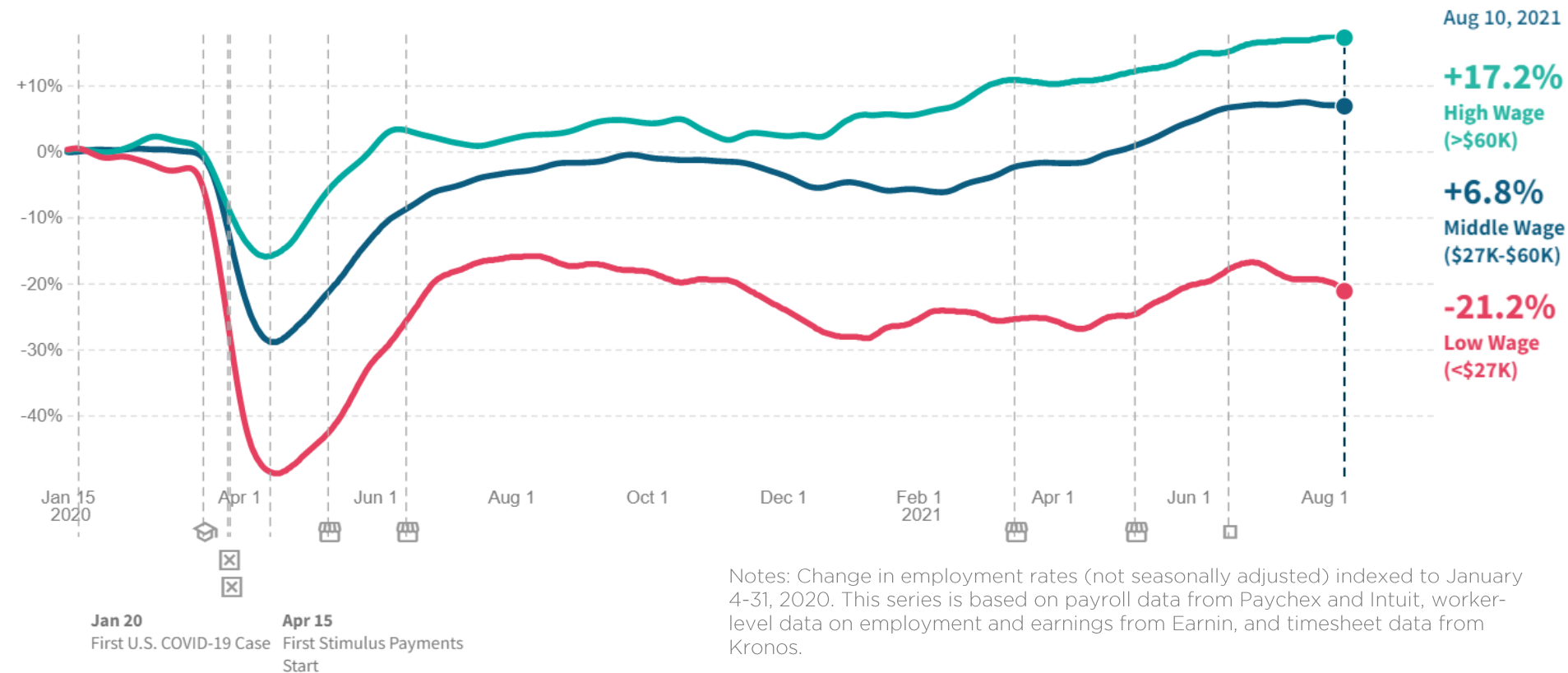
Change from 2004-2006 to 2017-2019 Averages



Note: Inflation adjustment using Consumer Price Index-Urban-Research Series (current methods). Includes workers aged 16 years and older, all income from work.
Source: Economic Policy Institute analysis of Current Population Survey Outgoing Rotation Group data

WORKERS WITH LOW WAGES HIT THE HARDEST IN PANDEMIC'S FIRST YEAR

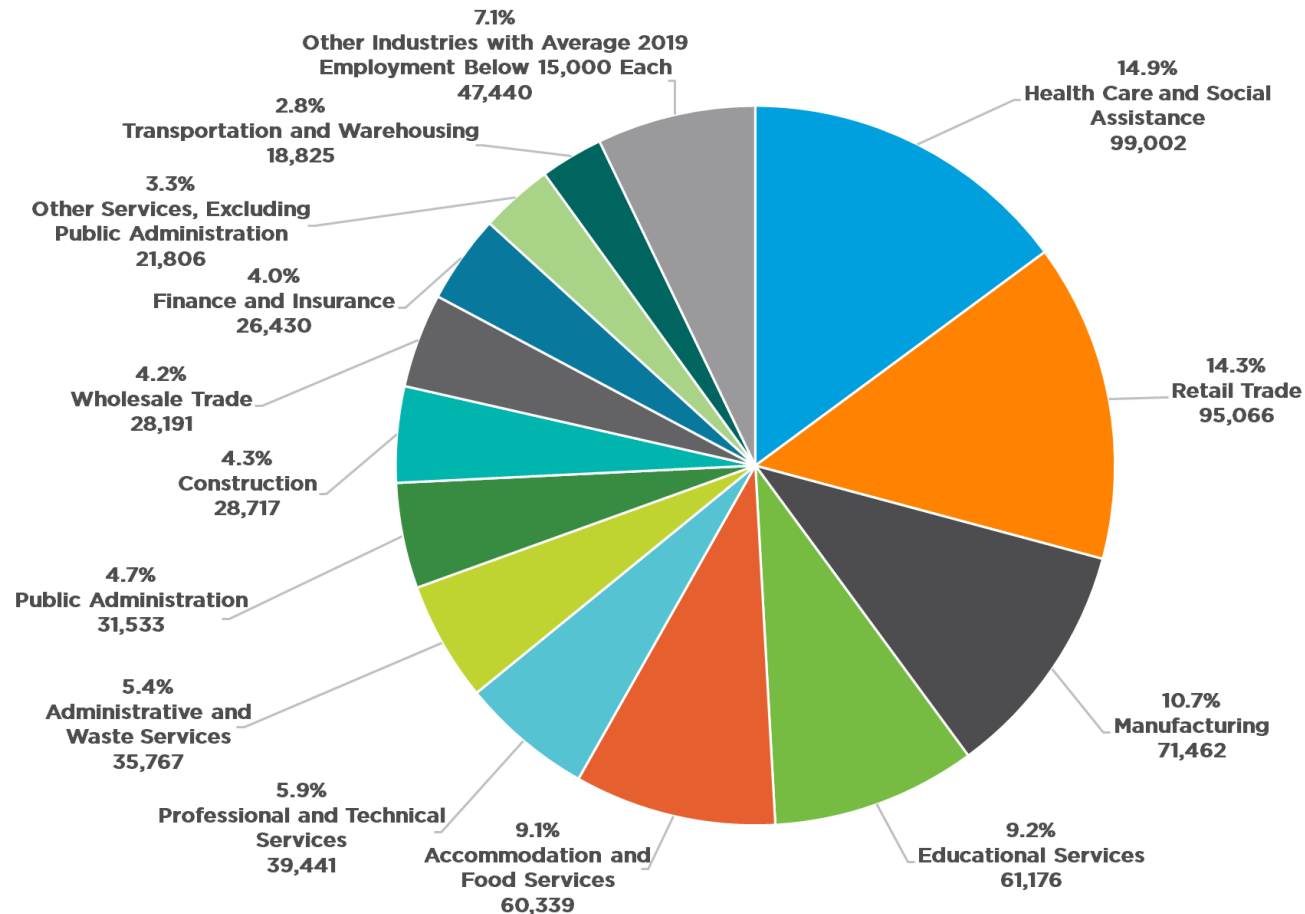
PERCENT CHANGE IN EMPLOYMENT IN NEW HAMPSHIRE



Source: Opportunity Insights Economic Tracker; Chetty, Friedman, Hendren, Stepner, and the Opportunity Insights Team, November 2020, accessed at tracktherecovery.org, a project of Harvard University, Brown University, and The Bill and Melinda Gates Foundation. Last updated September 24, 2021.

EMPLOYMENT BEFORE THE CRISIS

NEW HAMPSHIRE EMPLOYMENT BY INDUSTRY, 2019

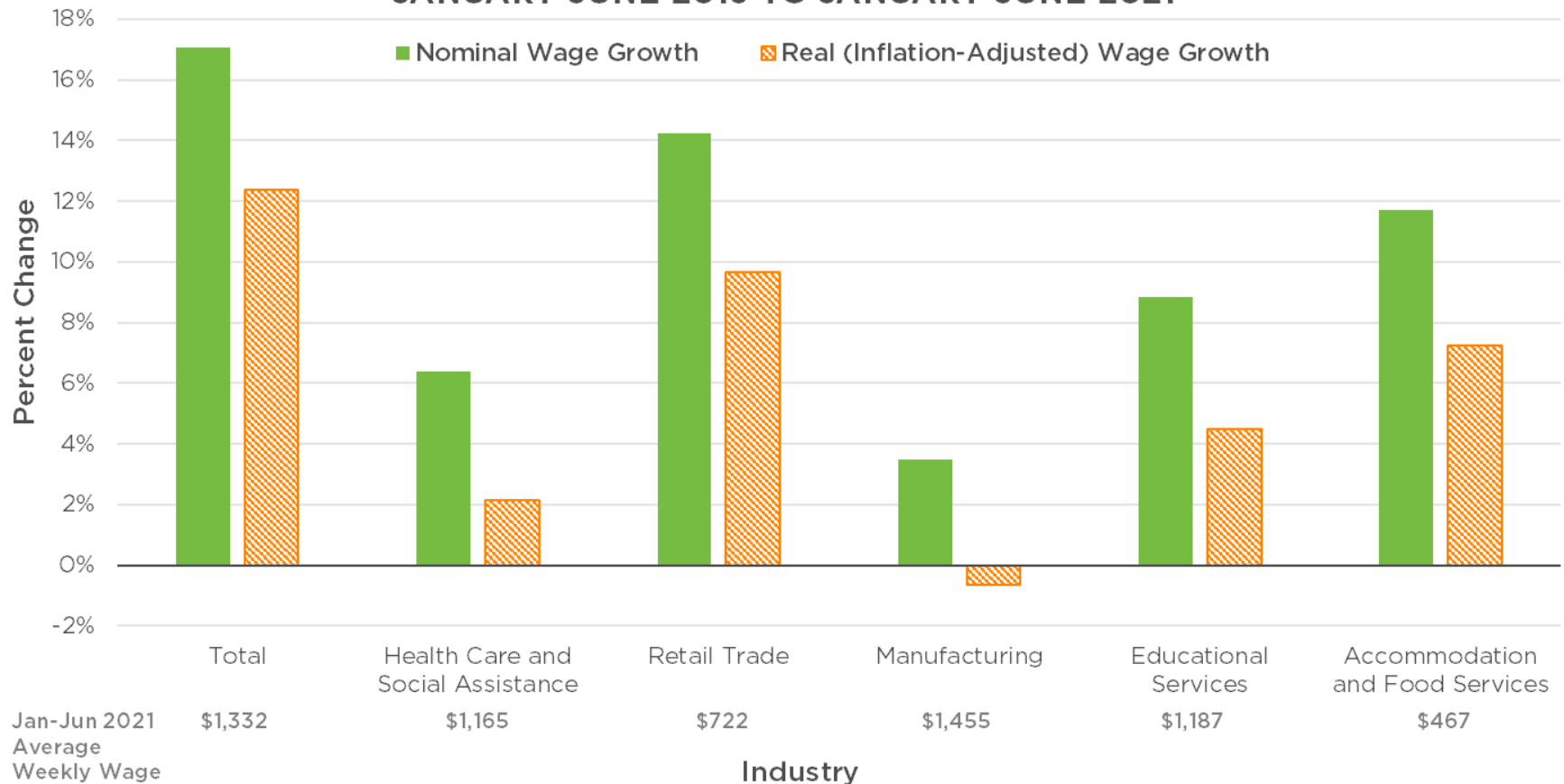


Notes: Includes public and private sector employment. Average employment for 2019 determined by averaging the average quarterly public and private industry unemployment. Total Average Employment for 2019 was 665,154.

Source: New Hampshire Employment Security, Economic and Labor Market Information Bureau, Covered Employment and Wages

WAGES OUTPACED INFLATION EARLY, MORE LIMITED GROWTH IN KEY SECTORS

AVERAGE WEEKLY WAGE GROWTH IN NEW HAMPSHIRE,
JANUARY-JUNE 2019 TO JANUARY-JUNE 2021

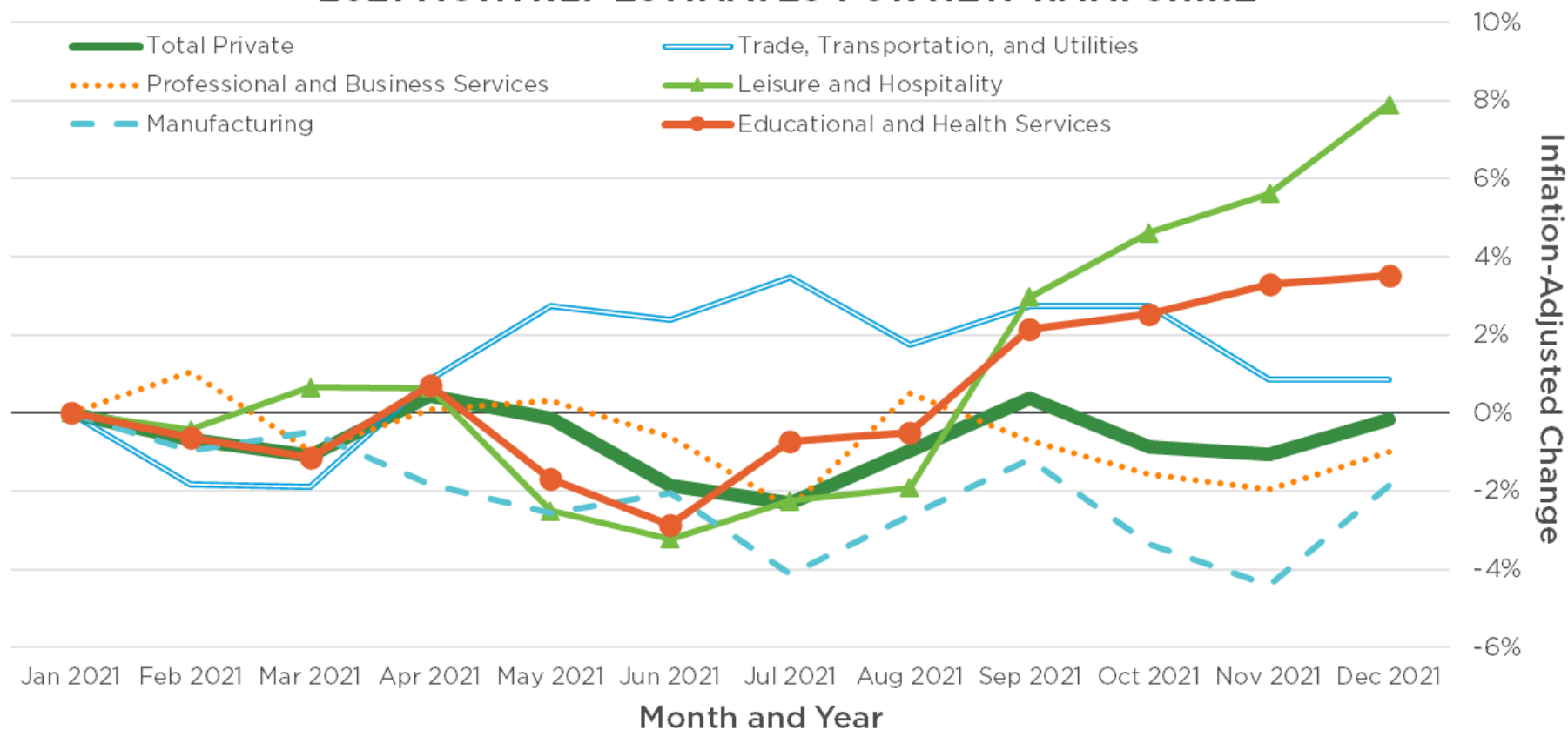


Note: Average of quarterly weekly wages used to construct half-year estimates. Inflation-adjustment based on the CPI-U, Northeast.

Source: New Hampshire Employment Security, U.S. Bureau of Labor Statistics

RECENT ESTIMATES SUGGEST REAL MEDIAN WAGES DID NOT GROW IN 2021

INFLATION-ADJUSTED CHANGES IN MEDIAN WAGES, 2021 MONTHLY ESTIMATES FOR NEW HAMPSHIRE



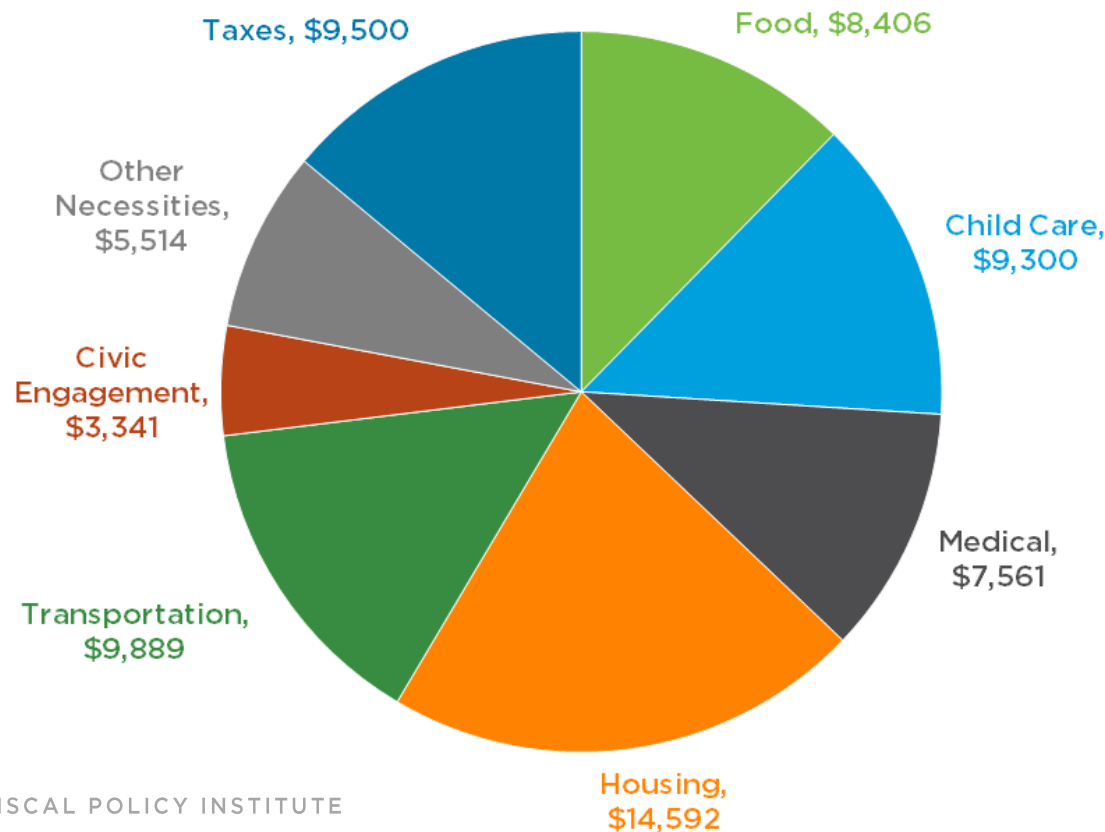
Notes: Consumer Price Index-Urban, Northeast used as basis for inflation-adjustment. Only private sector employment included.
Sources: New Hampshire Employment Security, U.S. Bureau of Labor Statistics

COSTS OUTPACING INCOME INCREASES FOR MANY NEW HAMPSHIRE HOUSEHOLDS

MASSACHUSETTS INSTITUTE OF TECHNOLOGY LIVING WAGE CALCULATOR

New Hampshire, 2020-2021

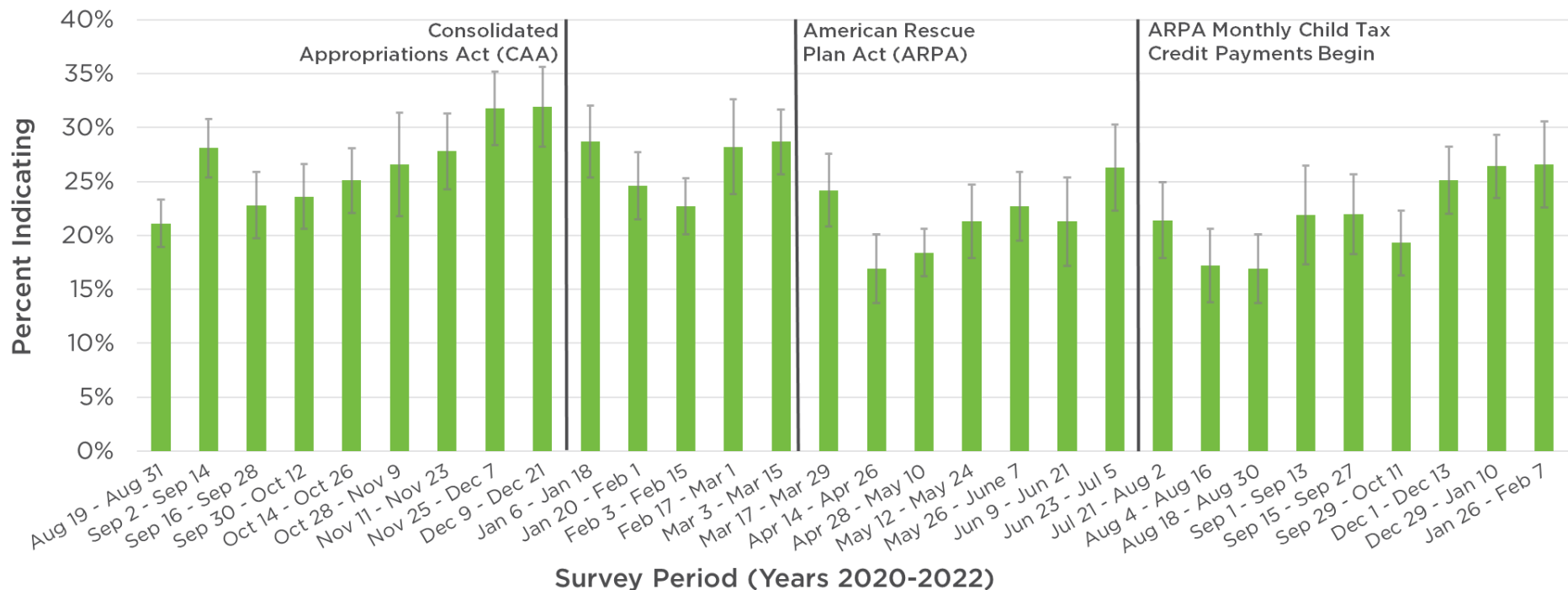
TWO WORKING ADULTS, ONE CHILD: \$68,104



HOW WILL FEDERAL ACTION SUPPORT THE ECONOMY AND THE ABILITY OF INDIVIDUALS AND FAMILIES TO MAKE ENDS MEET?

FEDERAL POLICY RESPONSE SIGNIFICANT, REDUCED HARDSHIP IN 2021

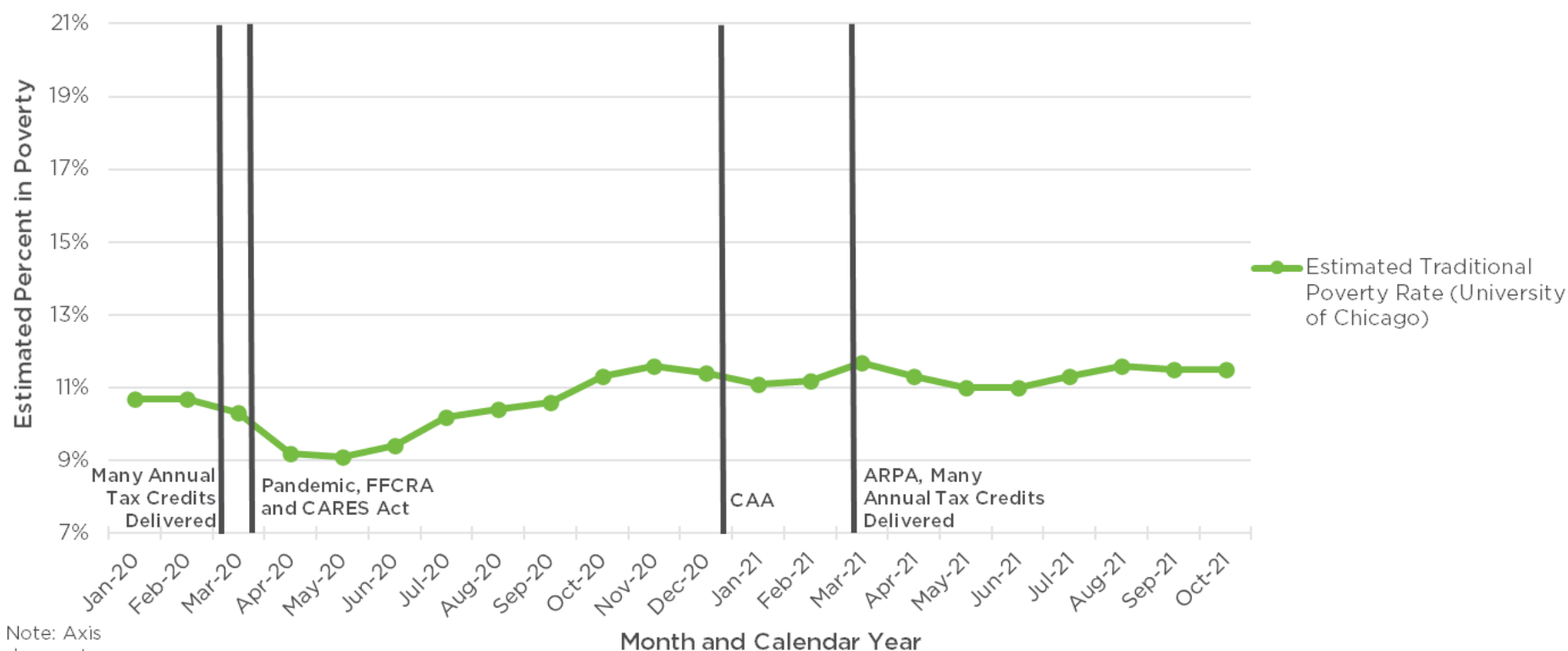
**PERCENTAGE OF ADULTS LIVING IN HOUSEHOLDS WHERE IT HAS BEEN
SOMEWHAT OR VERY DIFFICULT TO PAY FOR USUAL HOUSEHOLD EXPENSES
DURING THE LAST SEVEN DAYS IN NEW HAMPSHIRE**



Note: Margin of error bars represent 90 percent confidence intervals
Source: U.S. Census Bureau, 2020-2022 Household Pulse Survey, accessed February 28, 2022

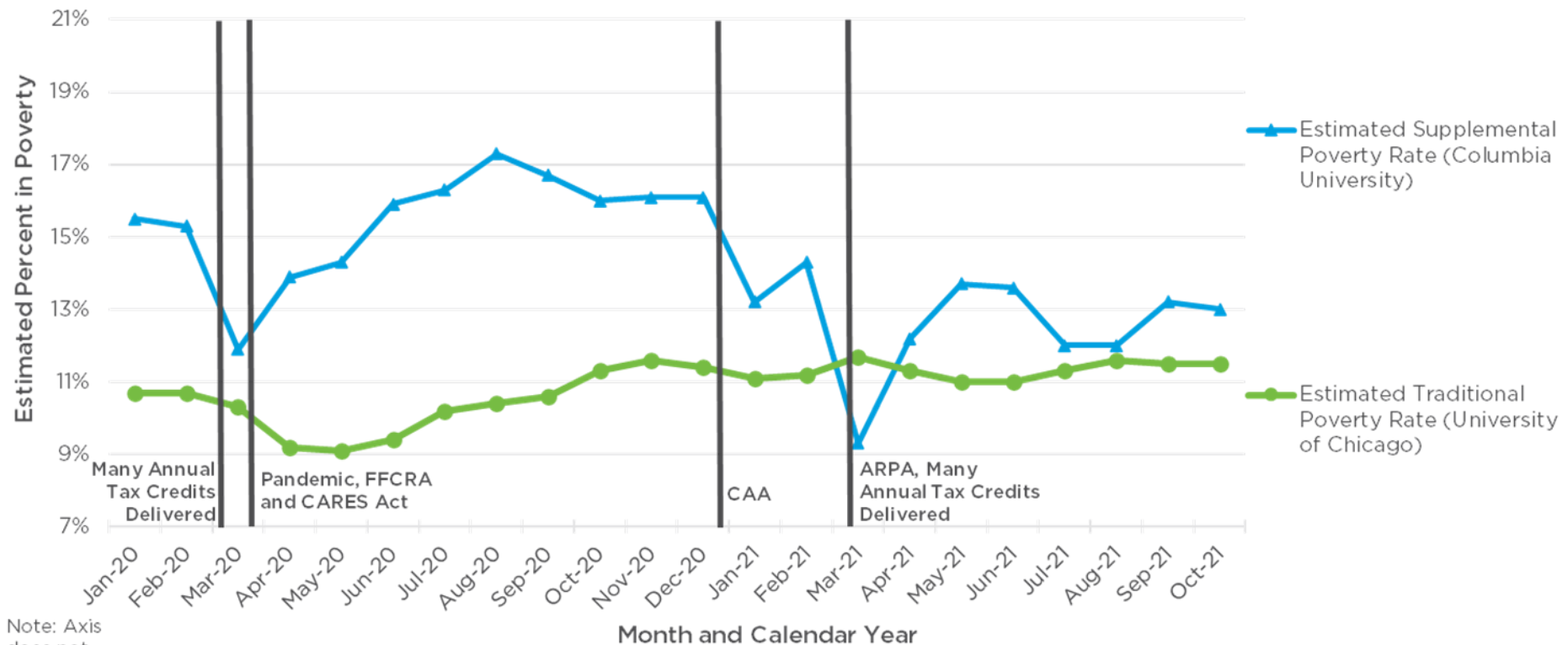
POLICY RESPONSE TO PANDEMIC APPEARED TO LIMIT POVERTY

ESTIMATED MONTHLY U.S. POVERTY RATE AND SUPPLEMENTAL POVERTY MEASURE, WITH AND WITHOUT PANDEMIC LEGISLATION



POLICY RESPONSE TO PANDEMIC APPEARED TO LIMIT POVERTY

ESTIMATED MONTHLY U.S. POVERTY RATE AND SUPPLEMENTAL POVERTY MEASURE, WITH AND WITHOUT PANDEMIC LEGISLATION



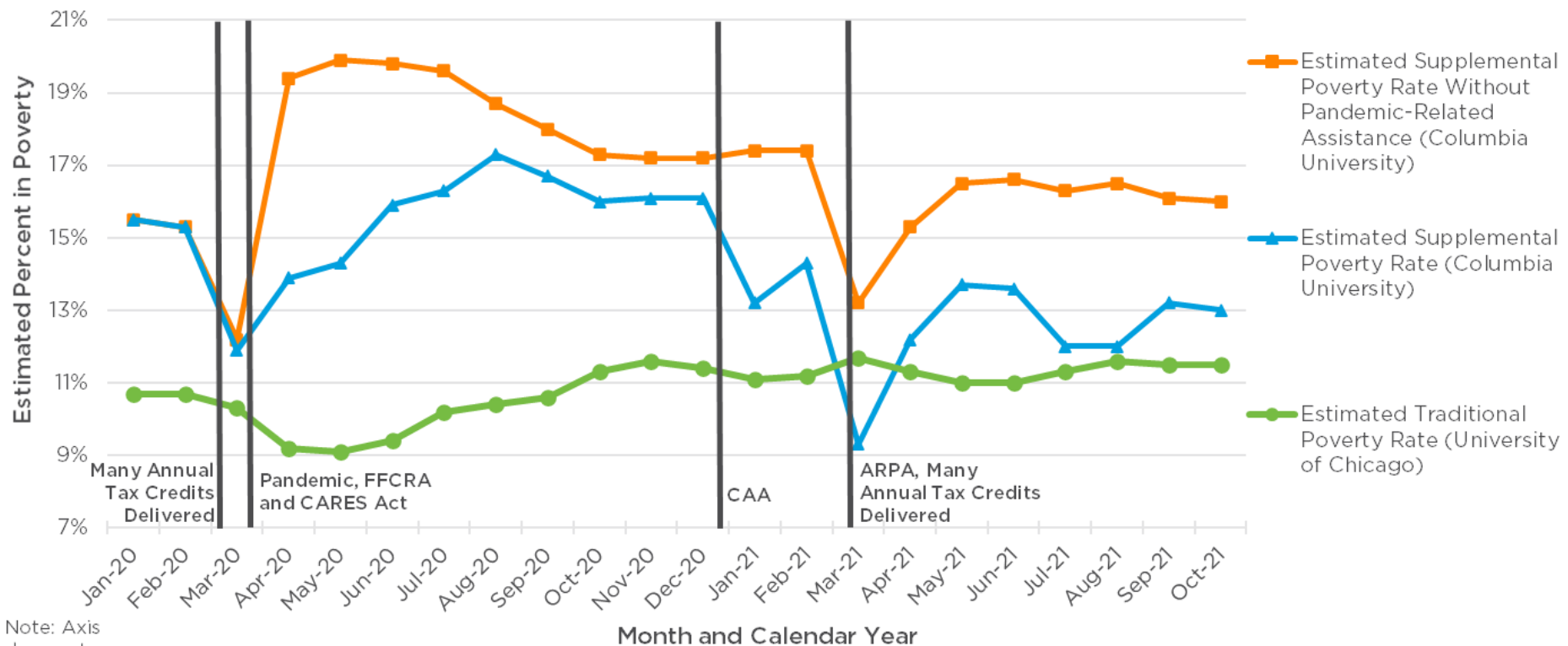
Note: Axis does not begin at zero.

Notes: FFCRA refers to the FamiliesFirst CoronavirusResponse Act. CARES Act is the Coronavirus Aid, Relief, and Economic Security Act. CAA refers to the Consolidated Appropriations Act of 2021. ARPA refers to the American Rescue Plan Act.

Sources: "Near Real Time COVID-19 Income and Poverty Dashboard," University of Chicago and Notre Dame, based on Han, Meyer, and Sullivan (2020), December 13, 2020; "Monthly Poverty," Center on Poverty and Social Policy at Columbia University, based on Parolin, Curran, Matsudaira, Waldfogel, and Wimer (2020), December 13, 2021.

POLICY RESPONSE TO PANDEMIC APPEARED TO LIMIT POVERTY

ESTIMATED MONTHLY U.S. POVERTY RATE AND SUPPLEMENTAL POVERTY MEASURE, WITH AND WITHOUT PANDEMIC LEGISLATION



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FEDERAL FISCAL STIMULUS WAS EFFECTIVE

RETURNS ON INVESTMENT FROM CERTAIN POLICIES

Fiscal Stimulus Multipliers, 2021

Estimates of Change in Size of the Economy (Gross Domestic Product) in the Fourth Quarter of 2021 for Each \$1.00 Change in Selected Federal Expenditure or Tax Changes in the First Quarter of 2021	
Selected Policy Change Analyzed	Economic Growth Per \$1 Invested
Supplemental Nutrition Assistance Program Benefits	\$1.61
Supplemental Unemployment Insurance	\$1.49
Work-Share Unemployment Insurance	\$1.37
Aid to State and Local Governments	\$1.34
Low Income Home Energy Assistance Program (LIHEAP)	\$1.31
Transportation Infrastructure Spending	\$1.29
Earned Income Tax Credit	\$1.27
Child Tax Credit	\$1.25
Child Care (Universal Child Care Act)	\$1.19
Universal Pre-Kindergarten	\$1.17
Care for Older Adults	\$1.15
Economic Impact Payments	\$1.09
Payroll Tax Holiday for Employees	\$1.07
Payroll Tax Holiday for Employers	\$0.95
Personal Income Tax Rate Reduction	\$0.88
Student Loan Debt Forgiveness	\$0.65
Dividend and Capital Gain Tax Rate Reduction	\$0.38
Corporate Tax Rate Reduction	\$0.32
Business Net Operating Losses Tax Offset	\$0.24

Note: Evaluated relative to the parameters of the federal 2021 American Rescue Plan Act as proposed in January 2021.

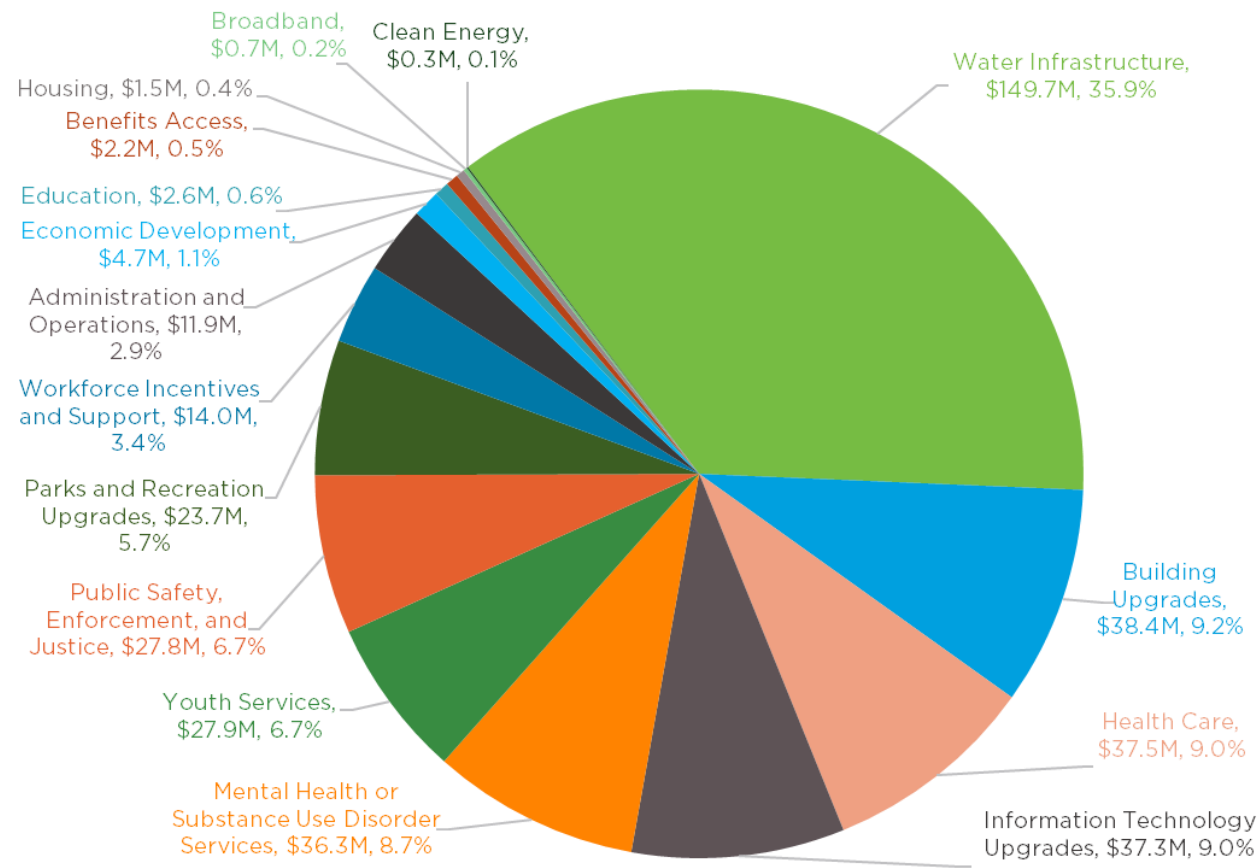
Source: Moody's Analytics, *The Biden Fiscal Rescue Package: Light on the Horizon*, January 15, 2021

WHAT ROLE WILL THE STATE PLAY IN SUPPORTING THE RECOVERY?

FEDERALLY-ENHANCED ROLE ONGOING

- 2020 Coronavirus Relief Funds (\$1.25B)
- Significant aid to businesses, State services, health and long-term care providers, child care, schools, nonprofits, housing
- 2021 ARPA State Fiscal Recovery Fund appropriations underway (\$995M)
- State Budget investments, such as mental health and Medicaid rates

NEW HAMPSHIRE'S CORONAVIRUS STATE FISCAL RECOVERY FUND ALLOCATIONS, AS OF MARCH 1, 2022



Source: NHFPI analysis of Joint Legislative Fiscal Committee and Executive Council approvals, May 2021-February 2022

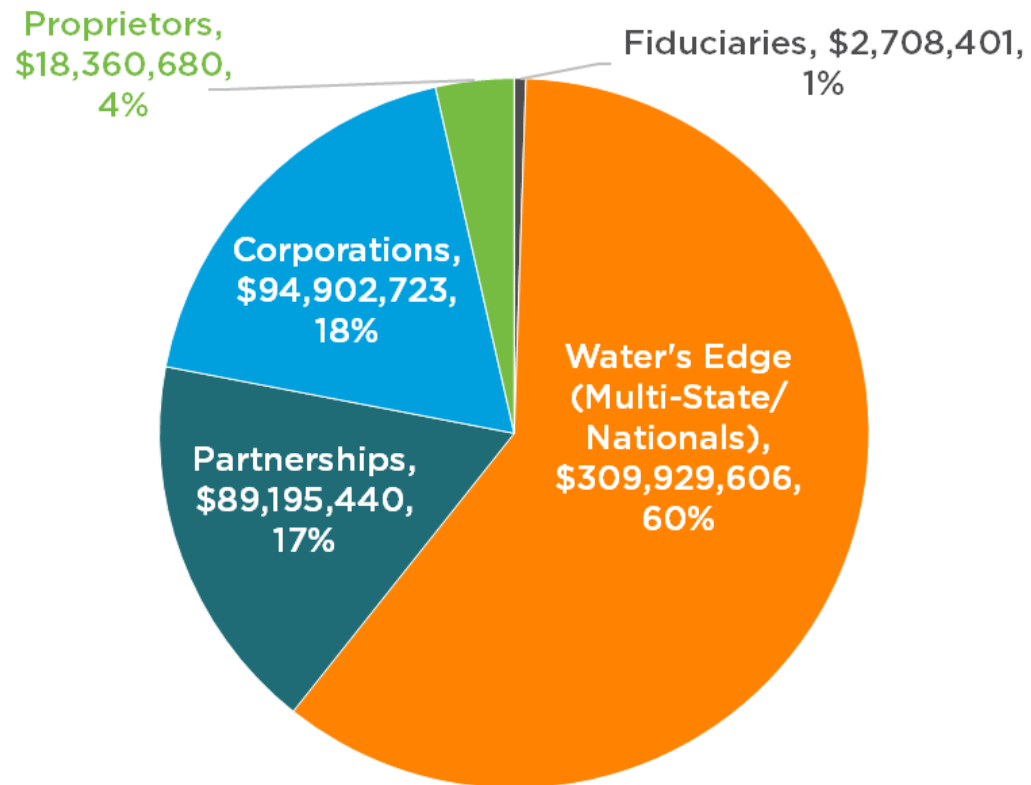
WHAT HAPPENS TO THE INTERNATIONAL ECONOMY AND TRADE?

MANY QUESTIONS, AND ANSWERS WILL BE KEY FOR STATE REVENUES

- New variants and unvaccinated populations
- Varying pandemic impacts in other countries
- Supply-chain bottlenecks
- Fossil fuel costs
- New Hampshire's largest tax revenue source heavily dependent on large, multinational businesses

BUSINESS PROFITS TAX FILERS BY LIABILITY

Draft Data, Tax Year 2019



Source: New Hampshire Department of Revenue Administration, 2021 Annual Report

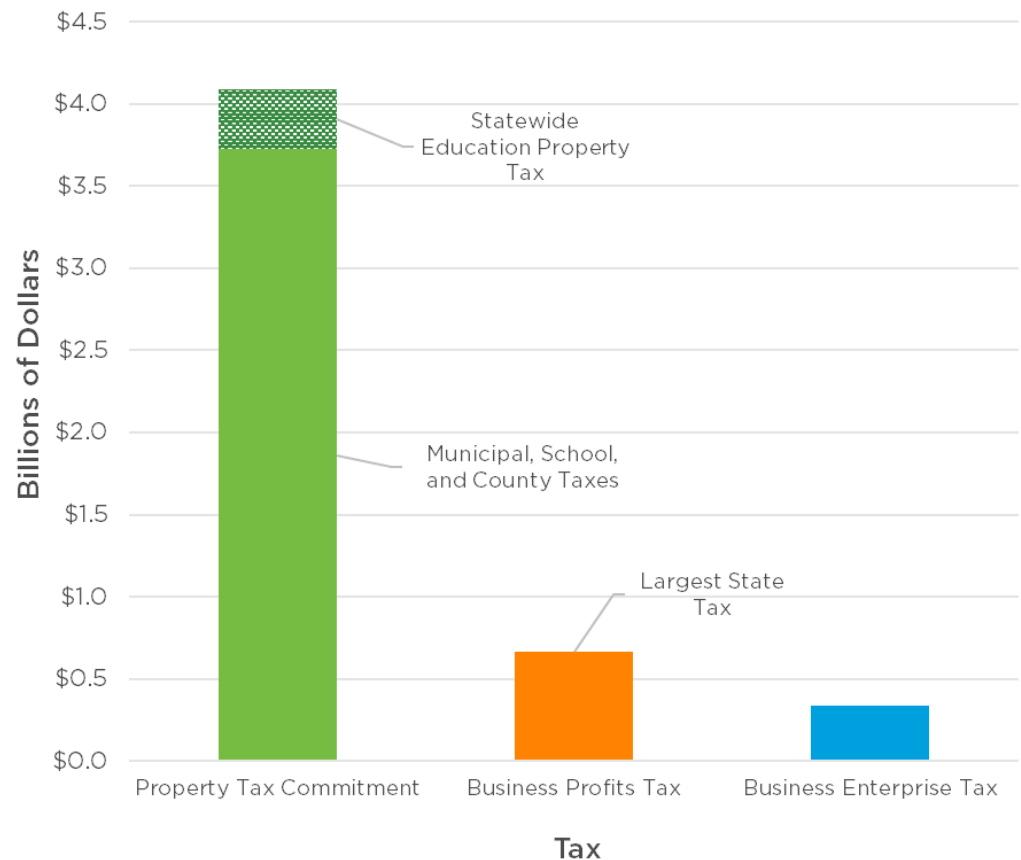
WHAT HAPPENS TO COMMERCIAL PROPERTY, TOURISM, AND OTHER AREAS?

PICTURE EVOLVING, WITH SIGNIFICANT IMPLICATIONS FOR REVENUE

- Relative residential and commercial property values at municipal levels may continue to change
- Property tax by far largest source of revenue for public services
- Tourism may persist with more remote work enabling trips, local living, but regional tourism may decline with more flights, national and international travel

LARGEST STATE AND LOCAL TAXES IN NEW HAMPSHIRE

Tax Year or State Fiscal Year 2021

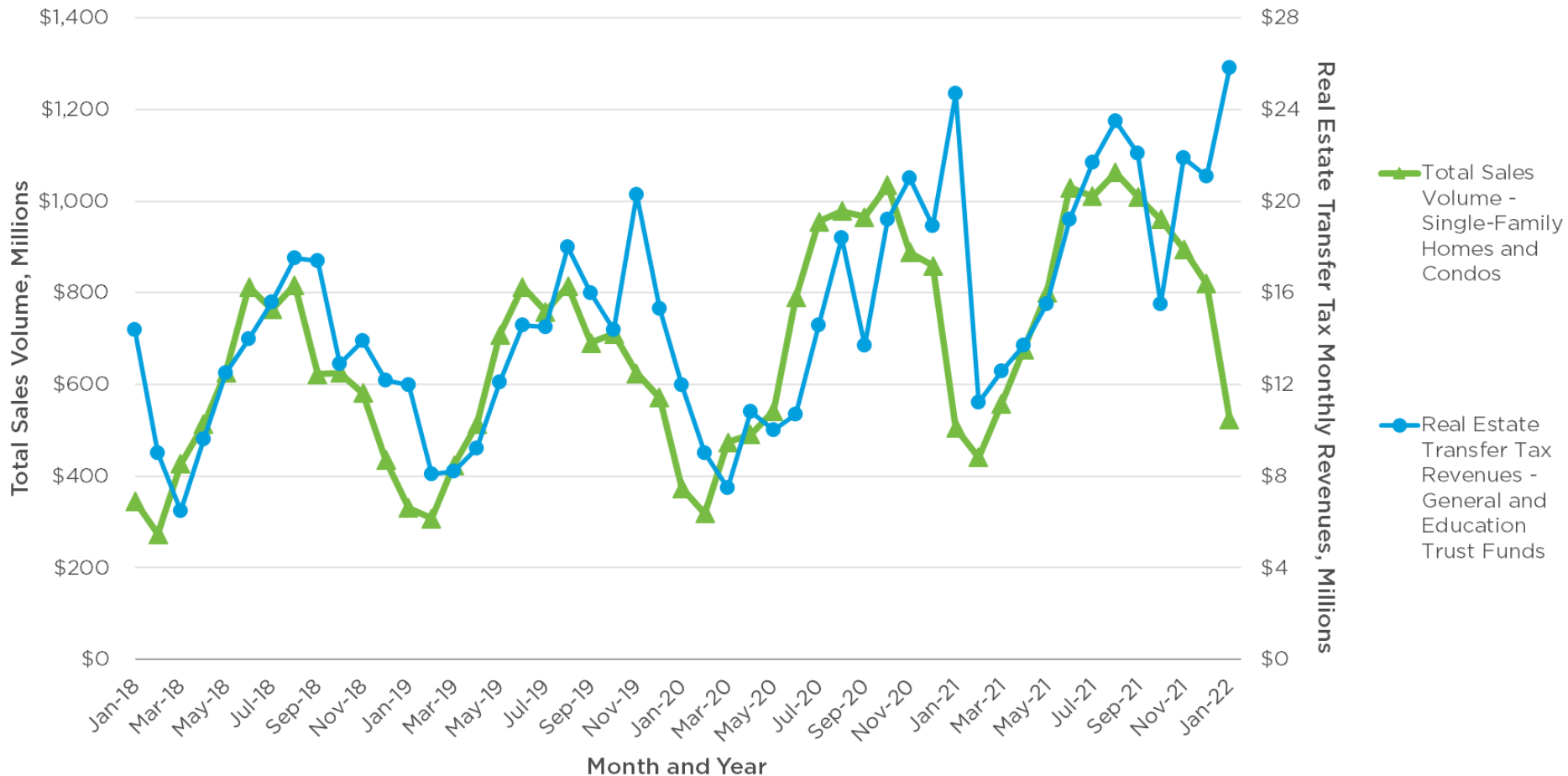


Sources: New Hampshire Department of Revenue Administration, New Hampshire Department of Administrative Services

PART 3: CONSIDERATIONS SPECIFIC TO REVENUE

HOW LONG CAN HOUSING SUPPLY SUSTAIN INCREASED REVENUES?

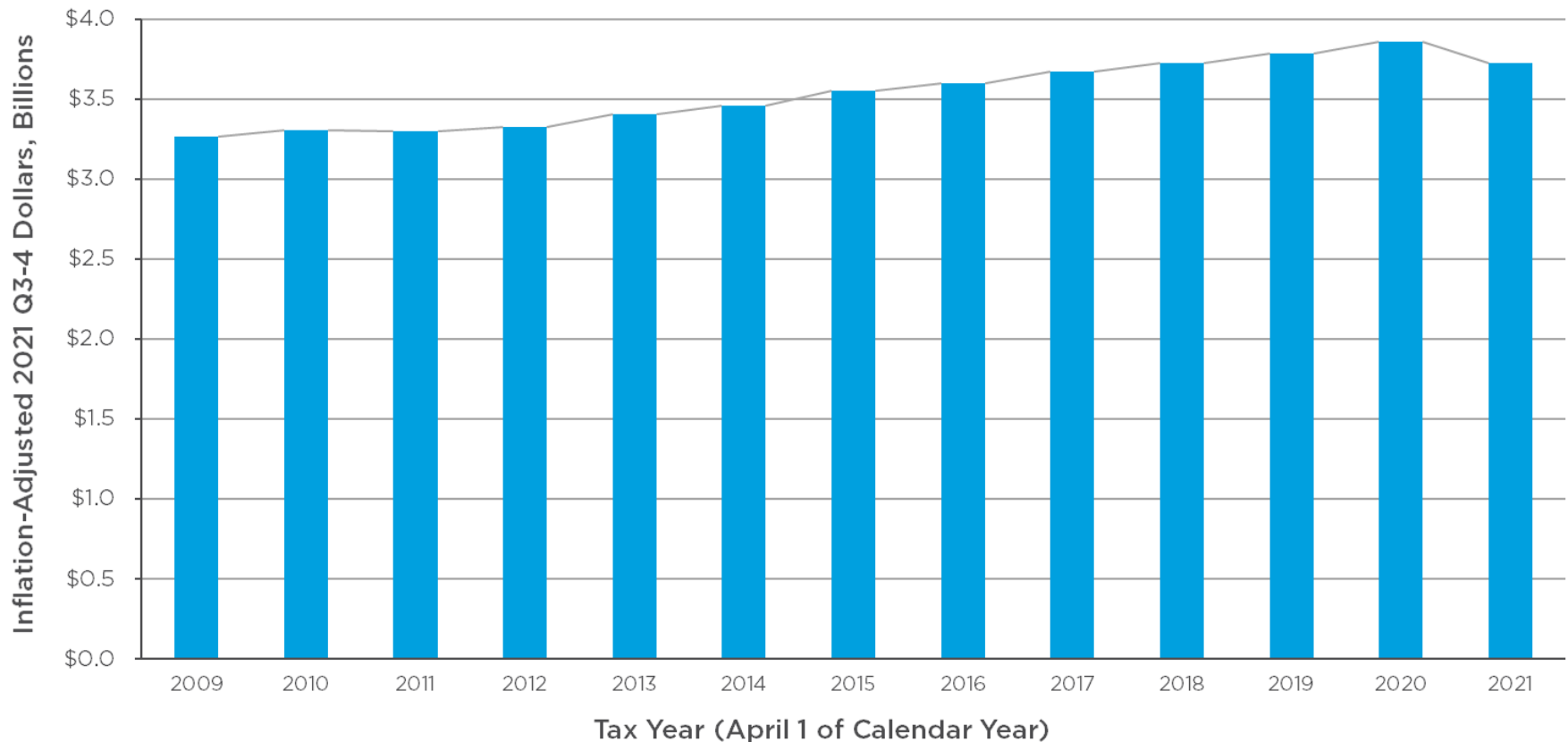
NEW HAMPSHIRE HOME SALES AND REAL ESTATE TRANSFER TAX REVENUE



Sources: New Hampshire Association of Realtors, New Hampshire Department of Administrative Services

PROPERTY TAXES HAVE HISTORICALLY OUTPACED INFLATION

NEW HAMPSHIRE TOTAL LOCAL PROPERTY TAX COMMITMENT TAX YEAR, INFLATION-ADJUSTED DOLLARS



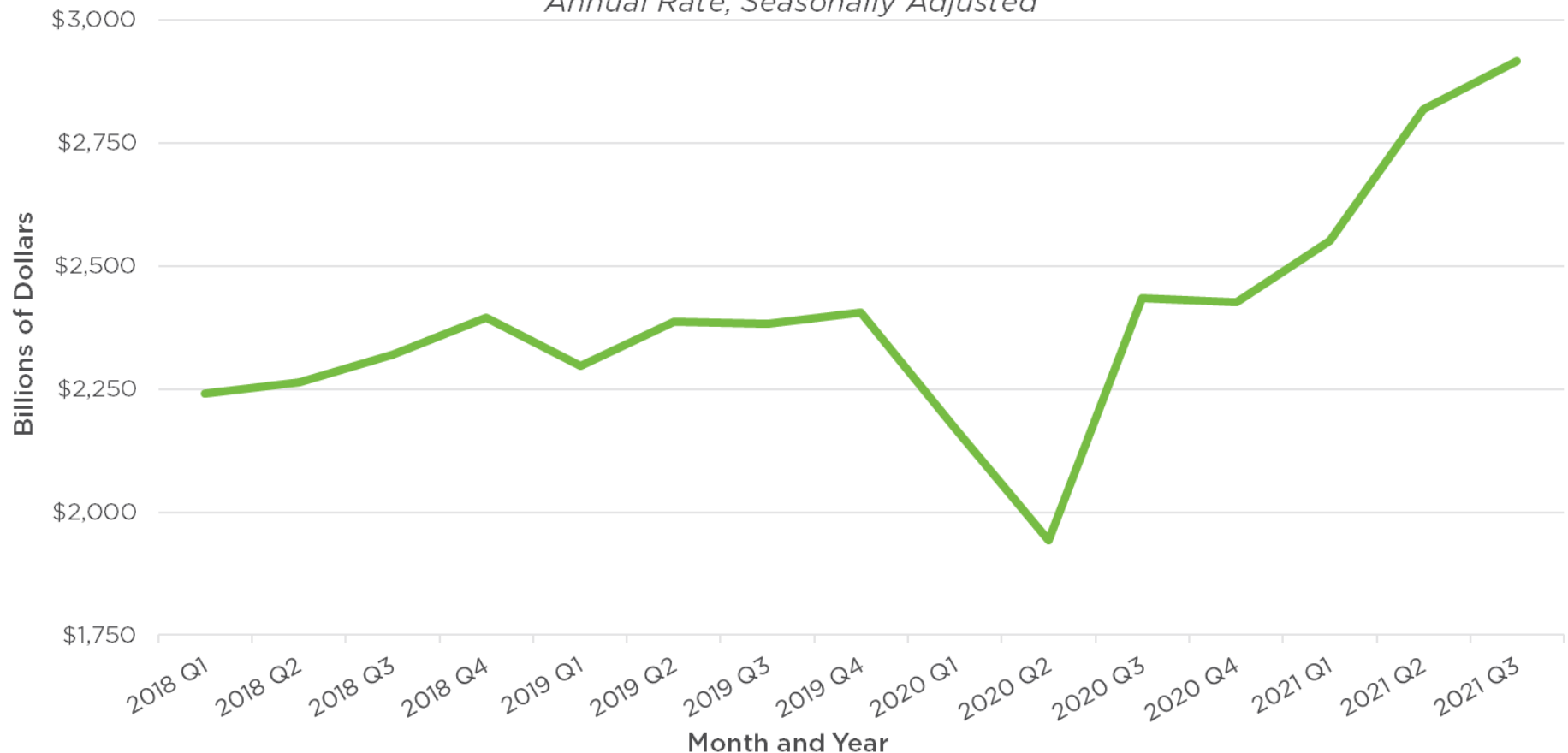
Note: Inflation-adjustment based on the second half of same numbered calendar year

Sources: New Hampshire Department of Revenue Administration;
U.S. Bureau of Labor Statistics Consumer Price Index-Urban, Northeast

U.S. CORPORATE PROFITS HIGH: WILL THE TREND PERSIST?

U.S. CORPORATE PROFITS BY QUARTER

*Corporate Profits Adjusted for Inventory Valuation and Capital Consumption,
Annual Rate, Seasonally Adjusted*



Source: Federal Reserve Bank of St. Louis

BUSINESS PROFITS TAX HEAVILY RELIANT ON LARGE ENTITIES FOR REVENUE

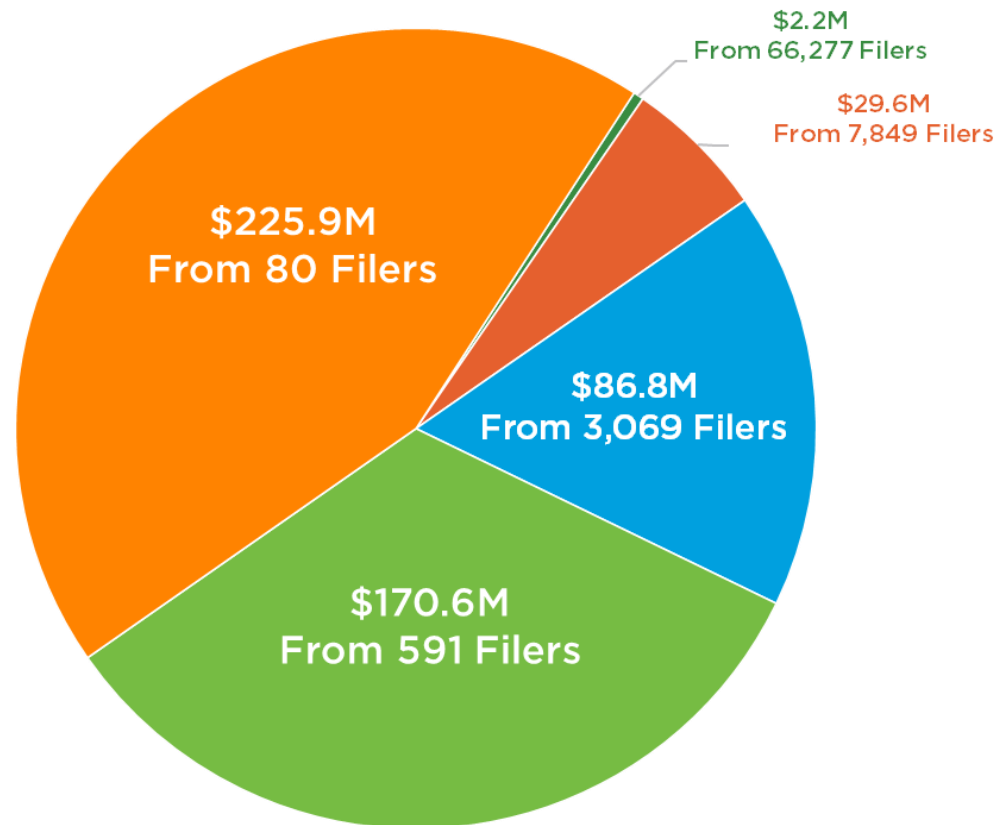
NEW HAMPSHIRE BUSINESS PROFITS TAX FILERS BY INCOME AND TAX PAID, TAX YEAR 2019		
Taxable New Hampshire Business Profits of At Least:	Percentage of Filers	Percentage of Total Tax Revenue Paid
\$12,987,013	0.10%	43.86%
\$1,298,701	0.86%	76.97%
\$649,351	1.42%	82.88%
\$129,870	4.80%	93.83%
\$12,987	14.88%	99.58%
\$6,494	17.27%	99.84%
\$13	23.73%	100.00%
\$0	100.00%	100.00%
Total Filers/Revenue	77,866	\$515,096,850

Source: New Hampshire Department of Revenue Administration, 2021 Annual Report

BUSINESS PROFITS TAX HEAVILY RELIANT ON LARGE ENTITIES FOR REVENUE

NEW HAMPSHIRE BUSINESS PROFITS TAX PAID AND NUMBER OF FILERS

Tax Year 2019



Source: New Hampshire Department of Revenue Administration

ONGOING REVENUE REDUCTIONS AND ECONOMY COMPLICATE FORECAST

- Revenues have seen significant growth in recent years, General and Education Trust Funds revenue in State Fiscal Year (SFY) 2021 up 13% from SFY2019, 32% above SFY2015
- Revenue growth likely to slow as economy slows, whether there are declines outside of the tax reductions is less certain
- Reductions in Business Tax rates while changes in tax bases are also occurring, may be difficult to evaluate policy impacts
- Reduction in Meals and Rentals Tax rate will reduce revenue
- Interest and Dividends Tax, which collects revenue disproportionately from higher income individuals, will start to decline, stock market volatility also a factor
- Significant Medicaid Enhancement Tax revenues may offset General Fund costs, depending on hospital activities

QUESTIONS FOR THE NEW HAMPSHIRE ECONOMY IN 2022

- Does the recovery continue robustly and equitably, or does it become less inclusive, slow, or stall?
- Do incomes for households, workers, and businesses outpace inflation and rising prices?
- What happens to the size of the workforce, and what factors contribute to those changes?
- How are critical workforce challenges in key sectors, such as direct health and child care services, addressed?
- Does the housing shortage ease?
- Are there more dangerous SARS-CoV-2 variants, and if not, how does the economy change as the pandemic subsides?
- How does the State deploy resources, including federal funds, to support individuals, families, and the economy?

KEY TAKEAWAYS

- Economy has recovered from the early period of the COVID-19 crisis, but the recovery has been uneven
- Federal assistance provided significant economic stimulus, mitigated poverty, and boosted incomes in 2021
- Workforce constraints on New Hampshire's economy stem from health and child care limitations, long-term trends
- Inflation may be temporary due to rapid changes in spending on goods and services
- Impacts on household budgets as inflation outpaced median wage growth in 2021
- Significant opportunities for the State to help build an equitable, inclusive recovery with available federal resources



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