

# Trends and Outlook for the Economy and Manufacturing in New Hampshire

**October 28, 2022**

**New Hampshire Advanced Manufacturing Summit**

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NH Economic and Labor Market Information Bureau

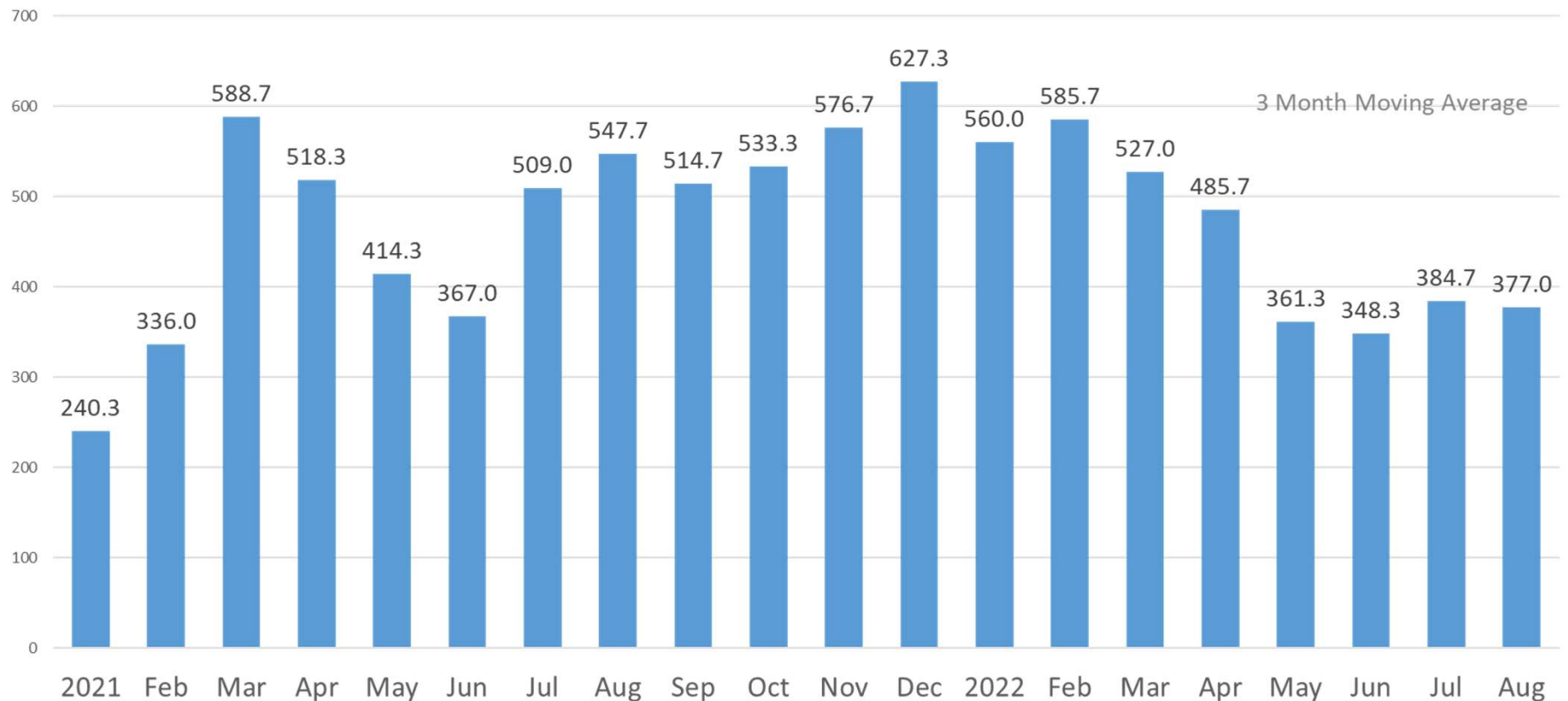
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## Overview of National Economic Outlook

- U.S. not currently in recession but many risks, including “talking ourselves into one” (recessions are fundamentally a loss of confidence)
- At least even odds of recession in 2023 (but a recession is not in our baseline forecast)
- FED hellbent on lowering inflation regardless of impact on growth
- Absent energy shock, inflation rate should decline the next 2 years (but hard to get to 2.0%)
- Housing prices fall but no crash
- Households better positioned to weather slowdown and without dramatic cuts in spending (auto sales rise despite interest rate hikes, home sales fall)
- Lower financial stress means fewer delinquencies, bankruptcies, foreclosures in a downturn

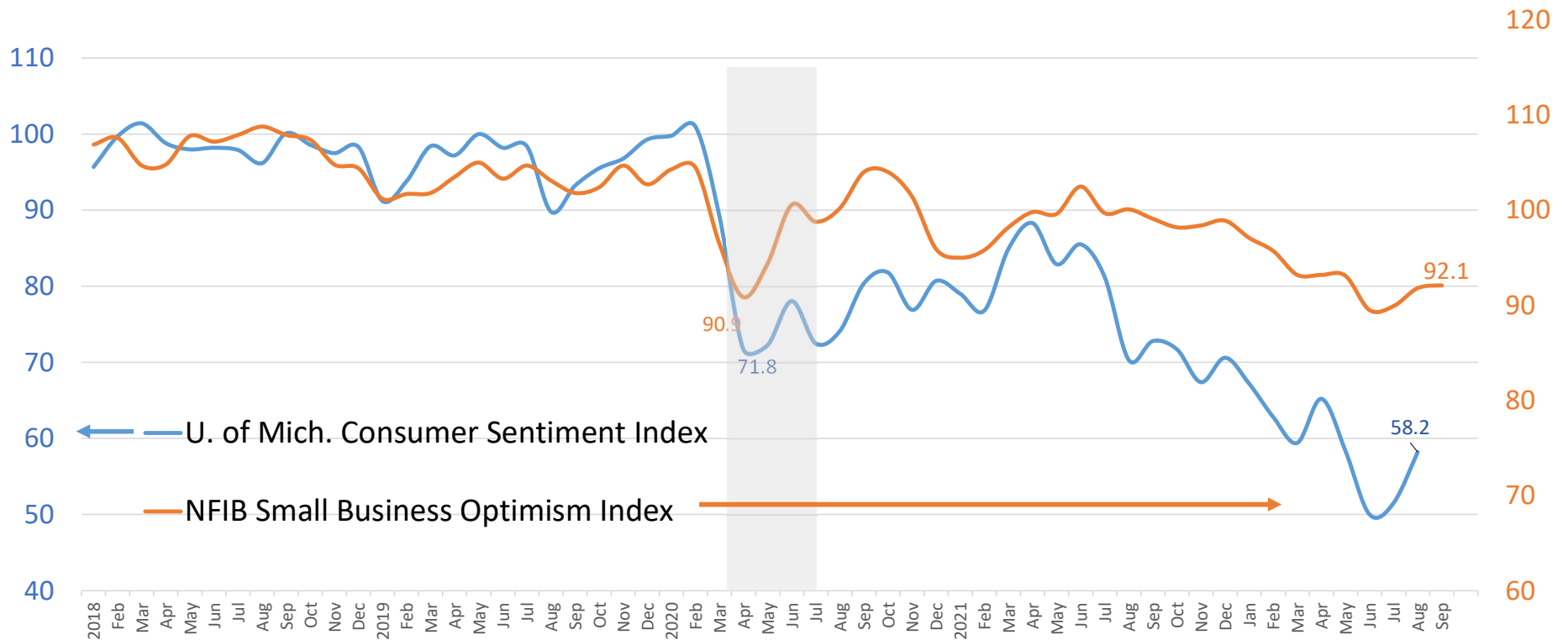
# The Pace of U.S. Job Growth has Slowed, But Even the Federal Reserve Can't Kill This Job Market

Monthly Change in U.S. Private Sector Emp. (000s)



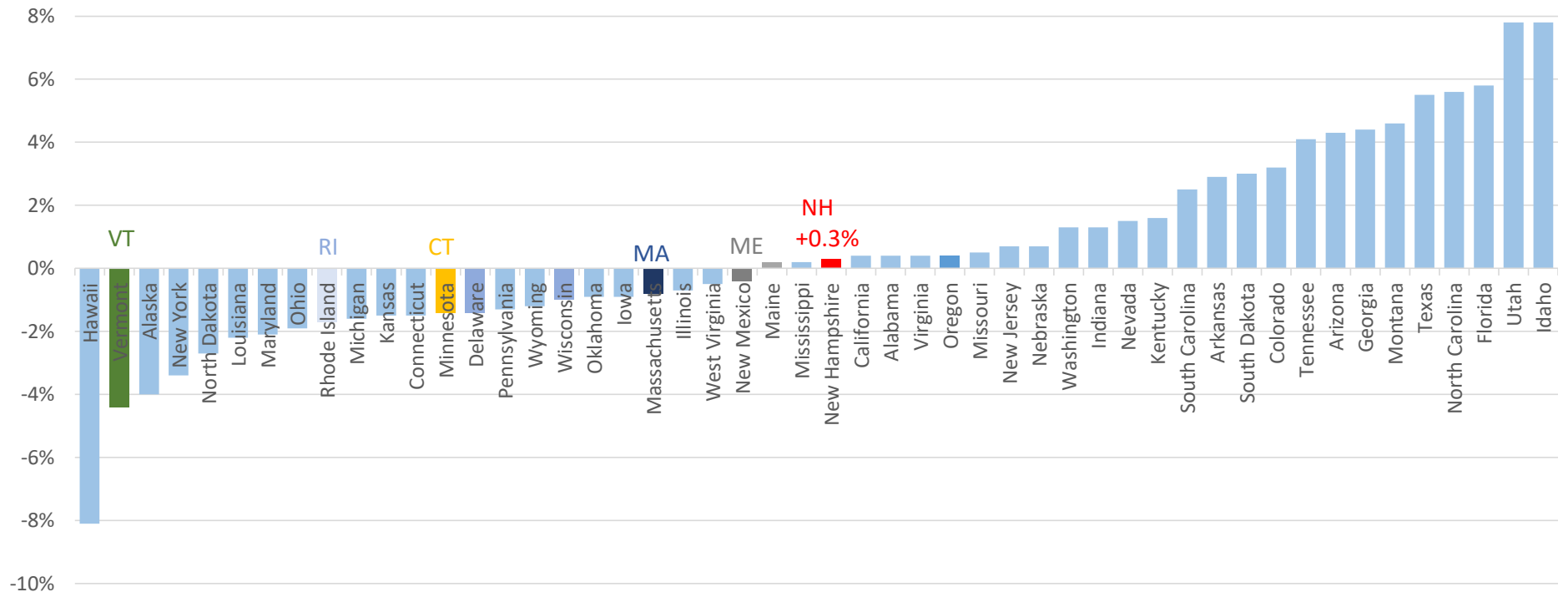
# Recessions are Fundamentally About a Loss of Confidence – by Consumers and Businesses – Confidence is Low Among Both

U. of Michigan Consumer Sentiment and NFIB Business Optimism Indices



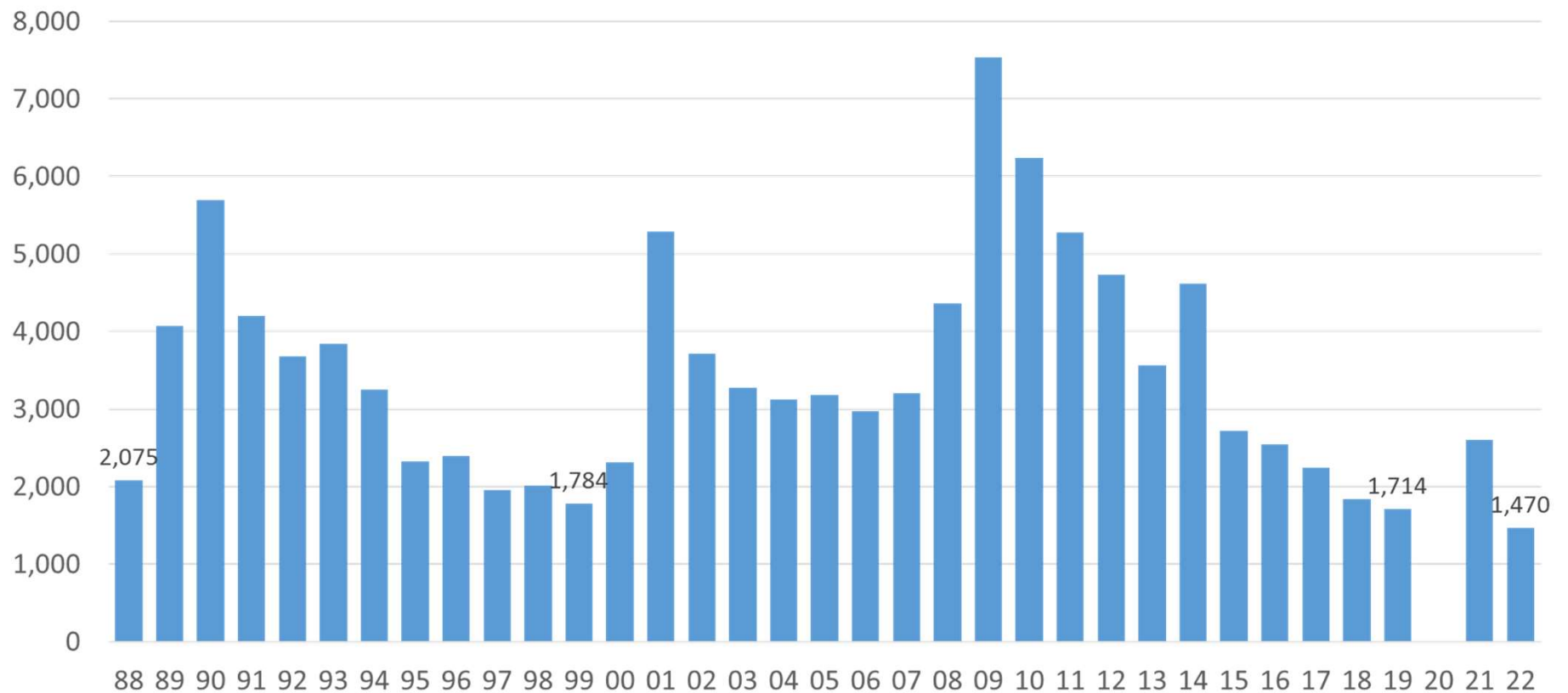
# New Hampshire is the Only New England State to Have Recovered to Pre-Pandemic Levels of Private Sector Employment

How Close Each State is to Recovering Pre-Covid Peak Level of Private Employment

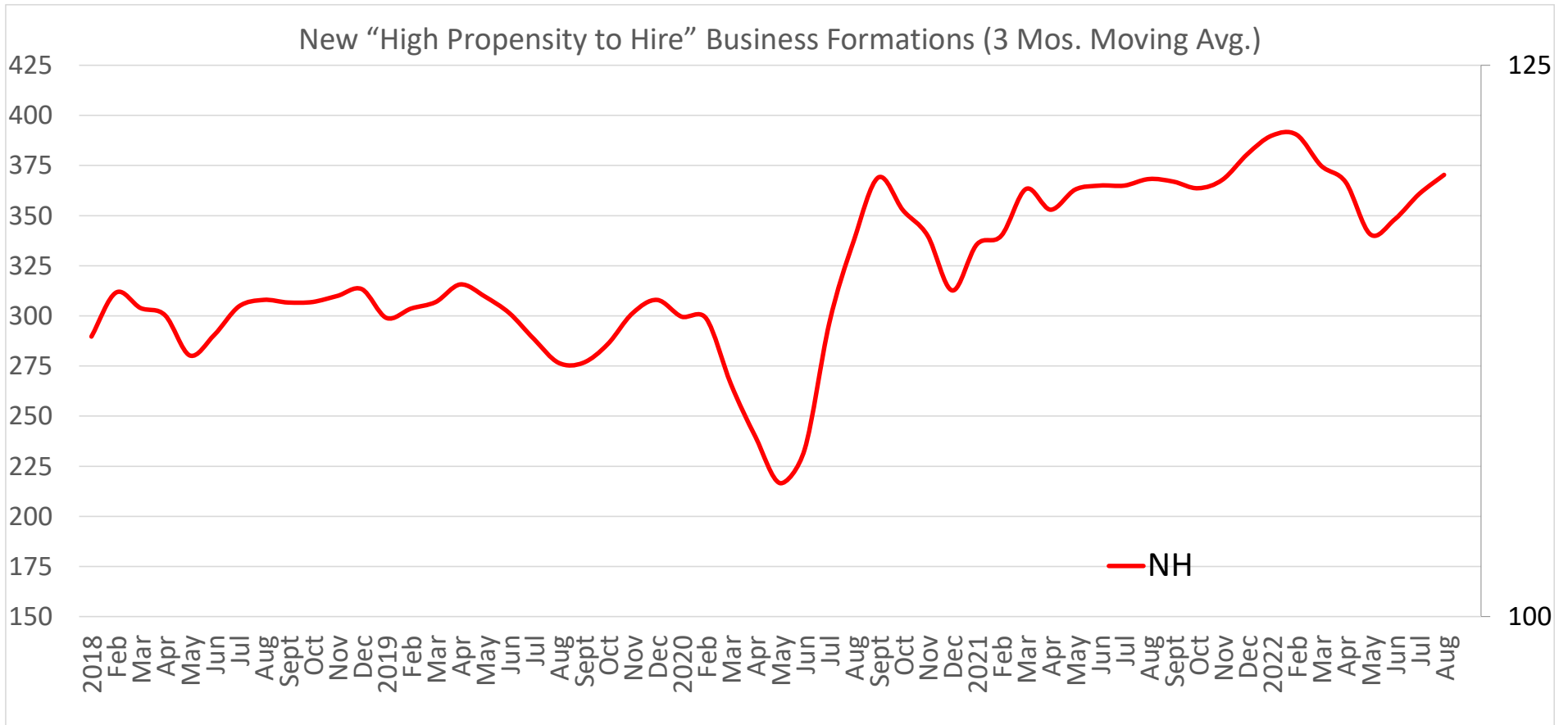


## New Unemployment Claims in August of 2022 Were Lowest in 35 Years for an August Month (Even With a Much Larger Labor Force)

New Claims for Unemployment Insurance in August

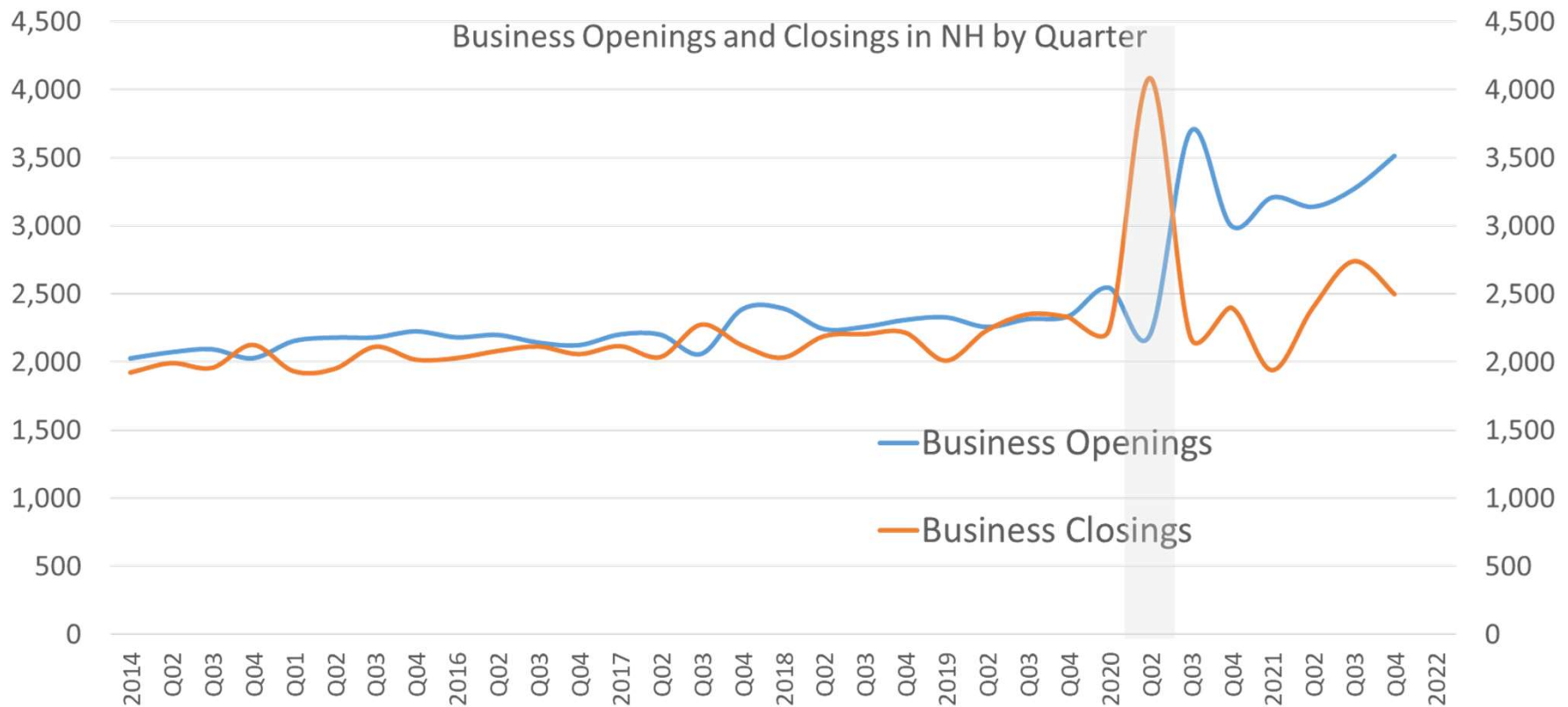


## New Business Formations in New Hampshire Have Surged and Contributed to Rising Demand for Labor and Job Growth



Source: Internal Revenue Service, U.S. Census Bureau, ELMi

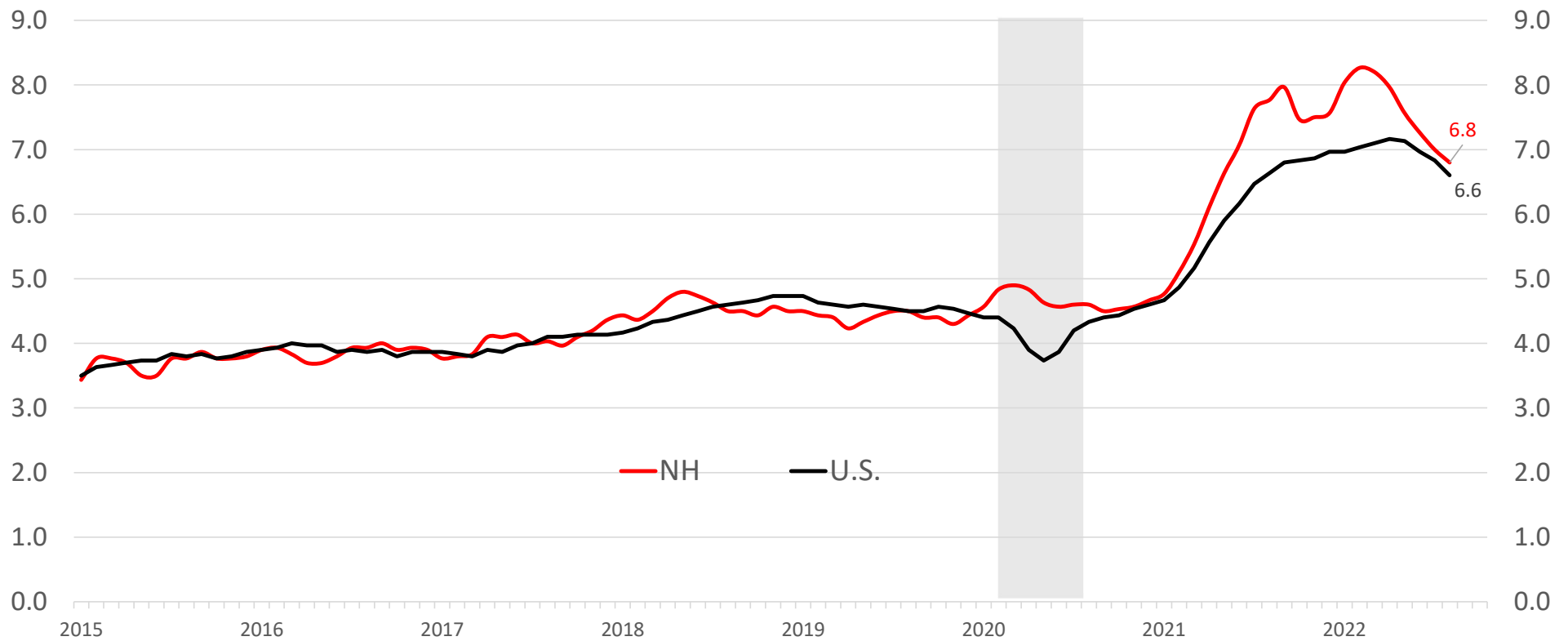
Business Openings in New Hampshire Increased Sharply After Peak Pandemic and Have Remained High. The Difference Between Openings and Closings is as High as it Has Ever Been



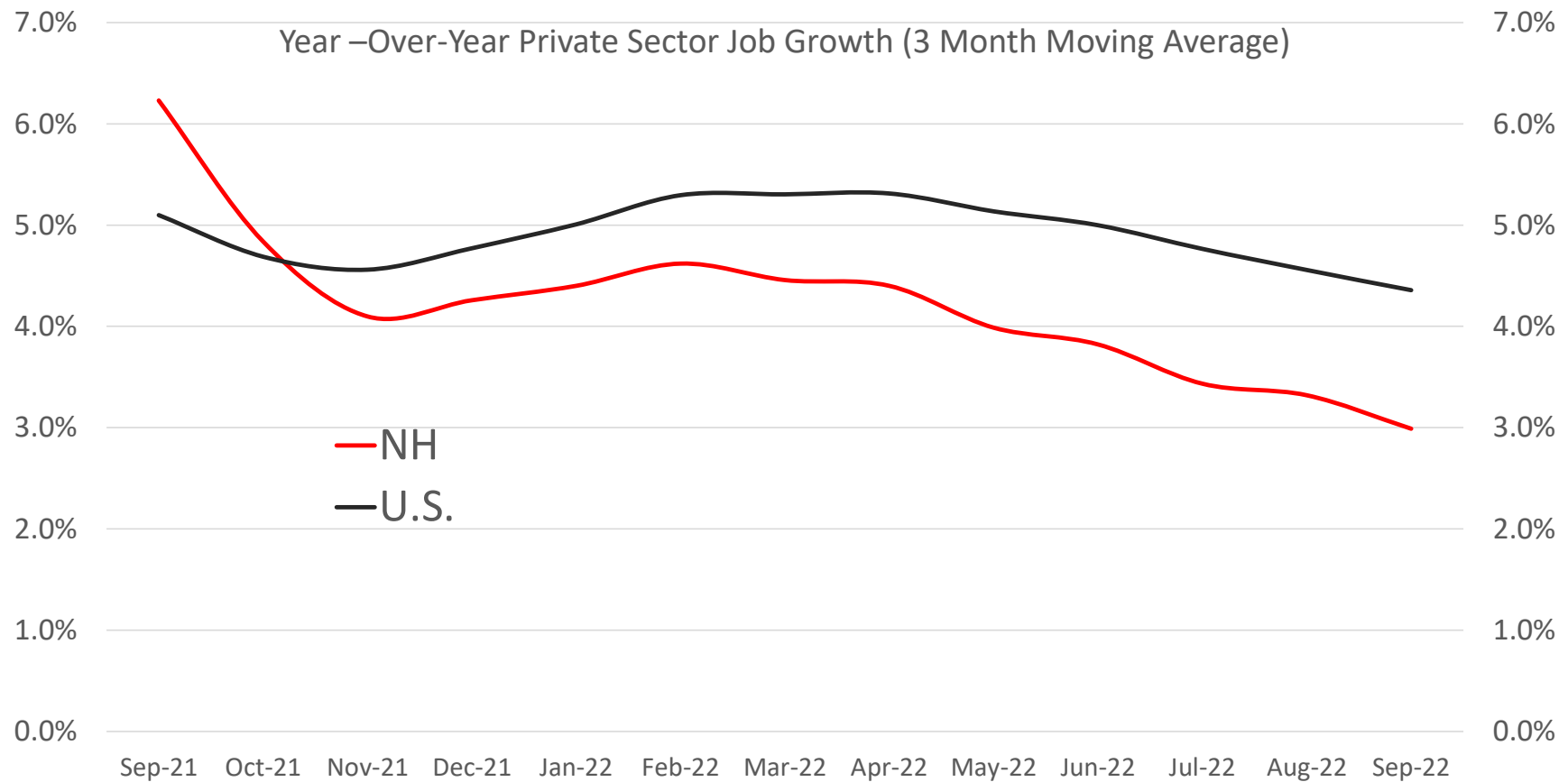


# Labor Demand is Still Strong but Job Openings are Starting to Slip (Job Openings Rate = Job Openings / Openings + Employment)

Job Openings Rates (3 Month Moving Average)

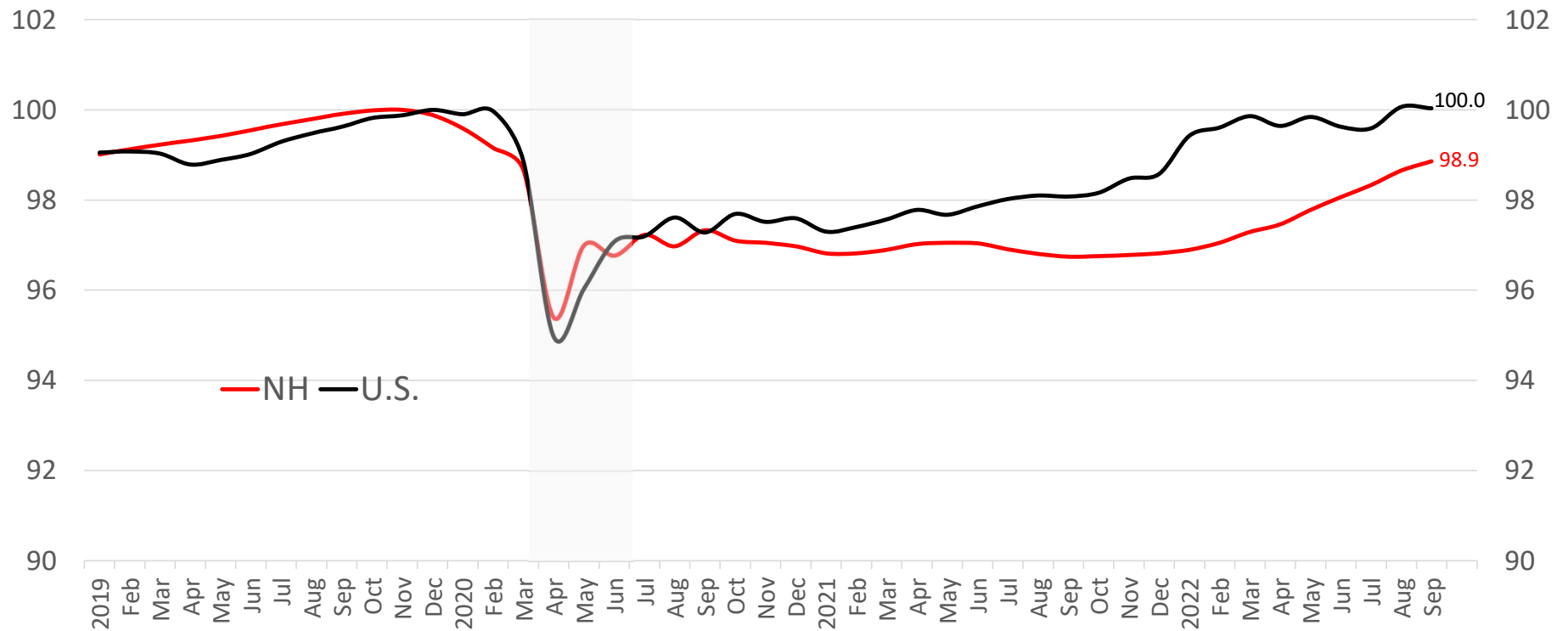


## And Private Sector Job Growth is Slowing (But Still Solid)

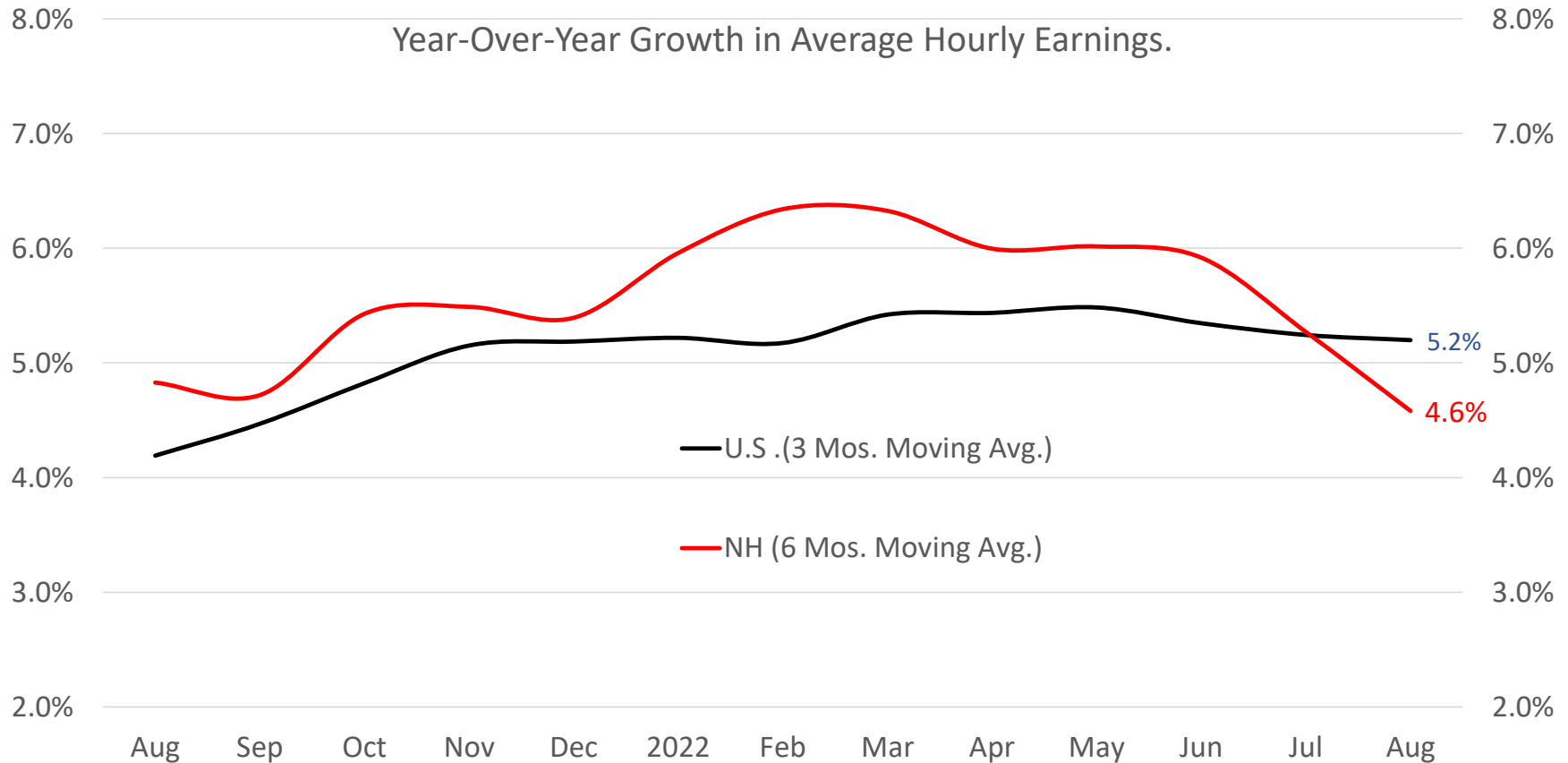


# The Labor Force is Recovering and Along With Slower Labor Demand Will Ease Wage Pressures

Seasonally Adjusted Labor Force: Pre-Pandemic Peak = 100



# Labor Force Increases and Slowing of Job Growth Will Ease Wage Growth Nationally and in States



## There is at Least an Even Chance of Falling Into Recession in 2023 – Here is Some of the Case for Narrowly Avoiding One

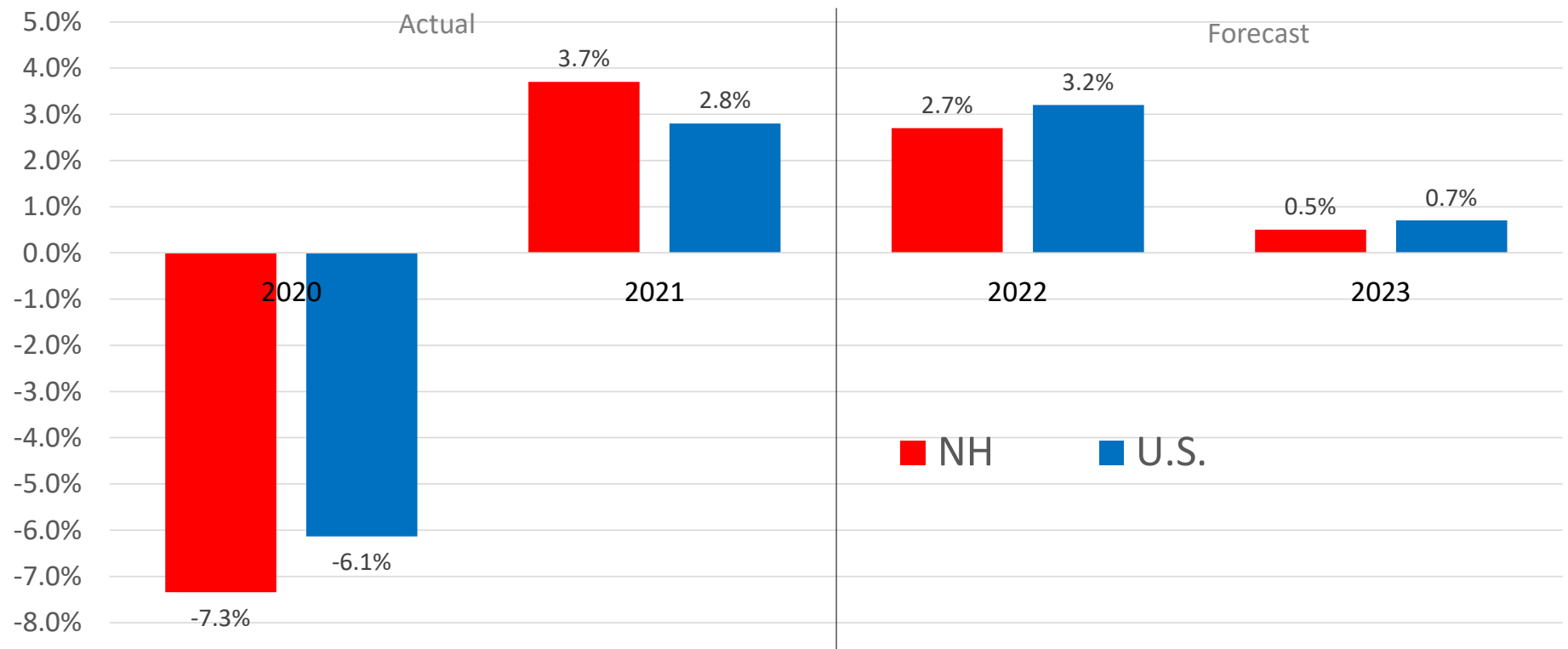
- Signs of a U.S. recession are absent most U.S. economic data, except for quirks in GDP
- Household finances generally better positioned to withstand temporary price shocks
- Control retail sales (ex. autos, gas stations, building materials and restaurants) continue to grow. As long as consumers don't seriously cut back a recession is less likely and not inevitable.
- Job market is still strong despite slowing (unemployment rate increased for the “right reasons”)
- Industrial production increasing and with improved supply chains and lower material costs

### **What Could go wrong:**

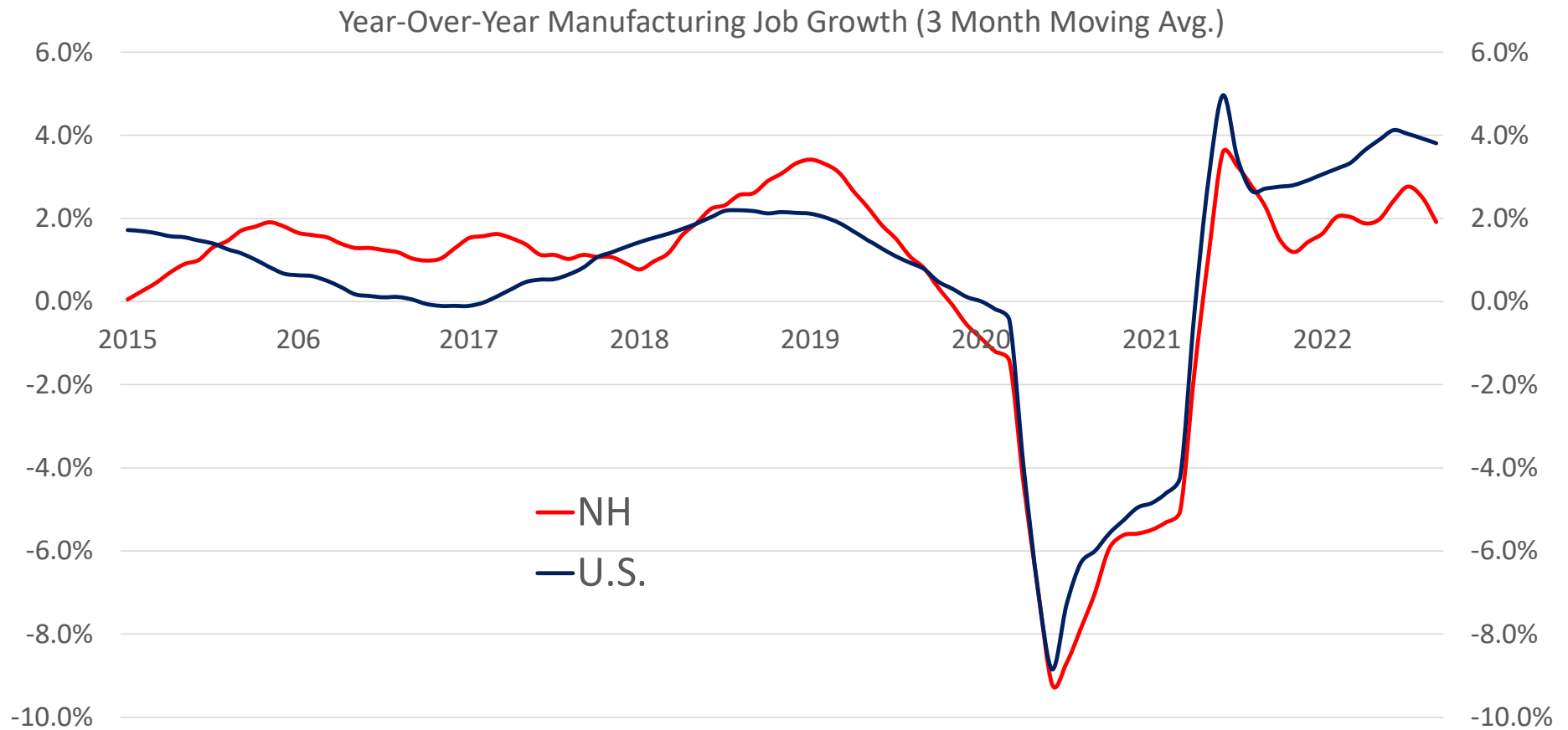
- FED overtightens (high probability)
- We can talk ourselves into a recession (recessions are fundamentally a loss of confidence)
- Sustained energy price spike (oil at \$130/bbl or higher - unknown probability)
- Recessions in Europe (high probability) and China (probable) are worse than anticipated
- Too many other things (we need a lot of things to go right and few to go wrong)

## 2022 Job Growth is Slowing in the Second Half and The Fed Has Made Clear it Wants to Dramatically Cool the Labor Market – Our Forecast is Downgraded But Still Not Opting for Recession

Forecast of Total Non-Farm Job Growth

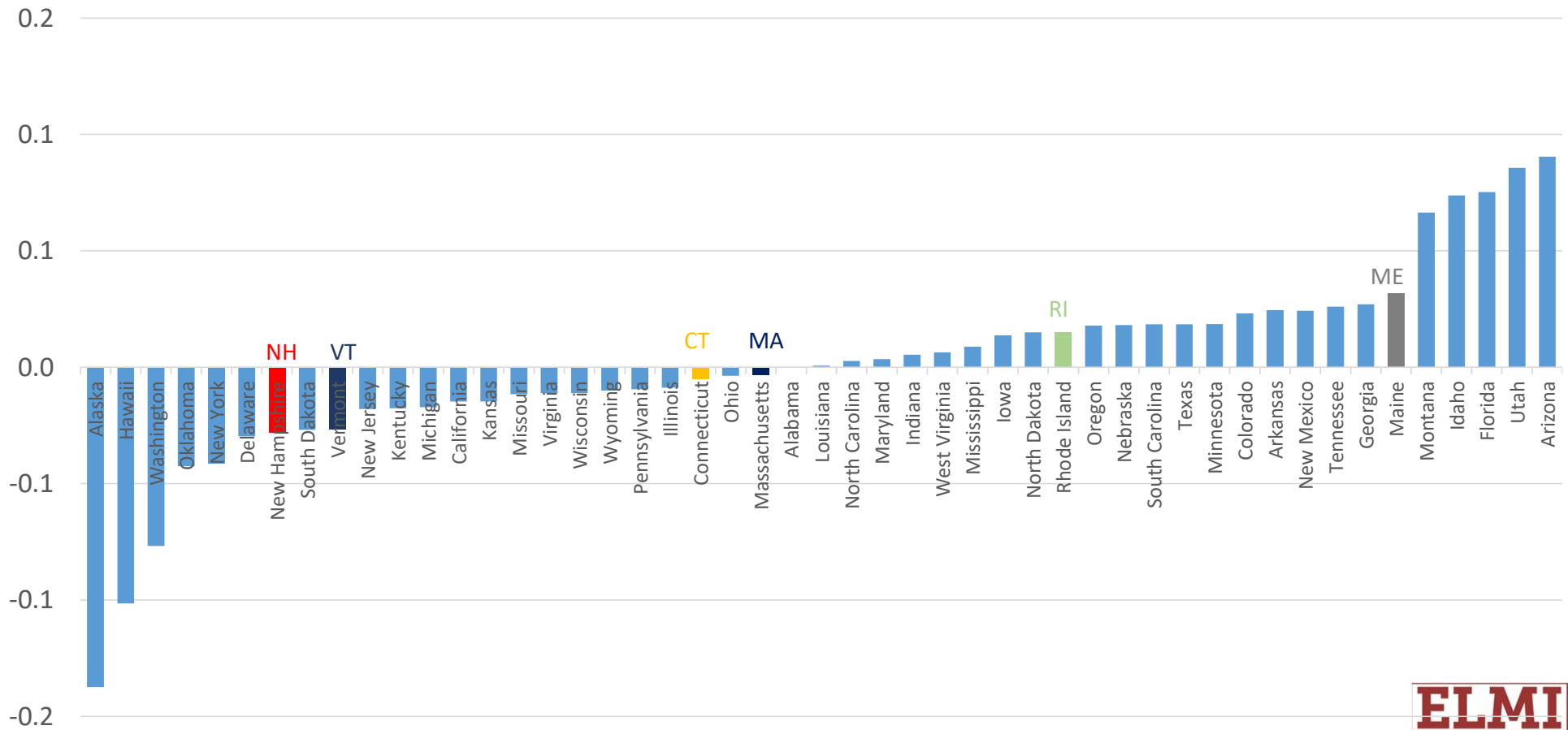


## A Number of Factors (Including Labor Shortages) Have Combined to Keep Recent Manufacturing Job Growth Slower in NH Than in the Nation



# And the Industry Has Not Recovered Pre-Pandemic Employment Levels – Again, Labor Shortages are Playing a Role

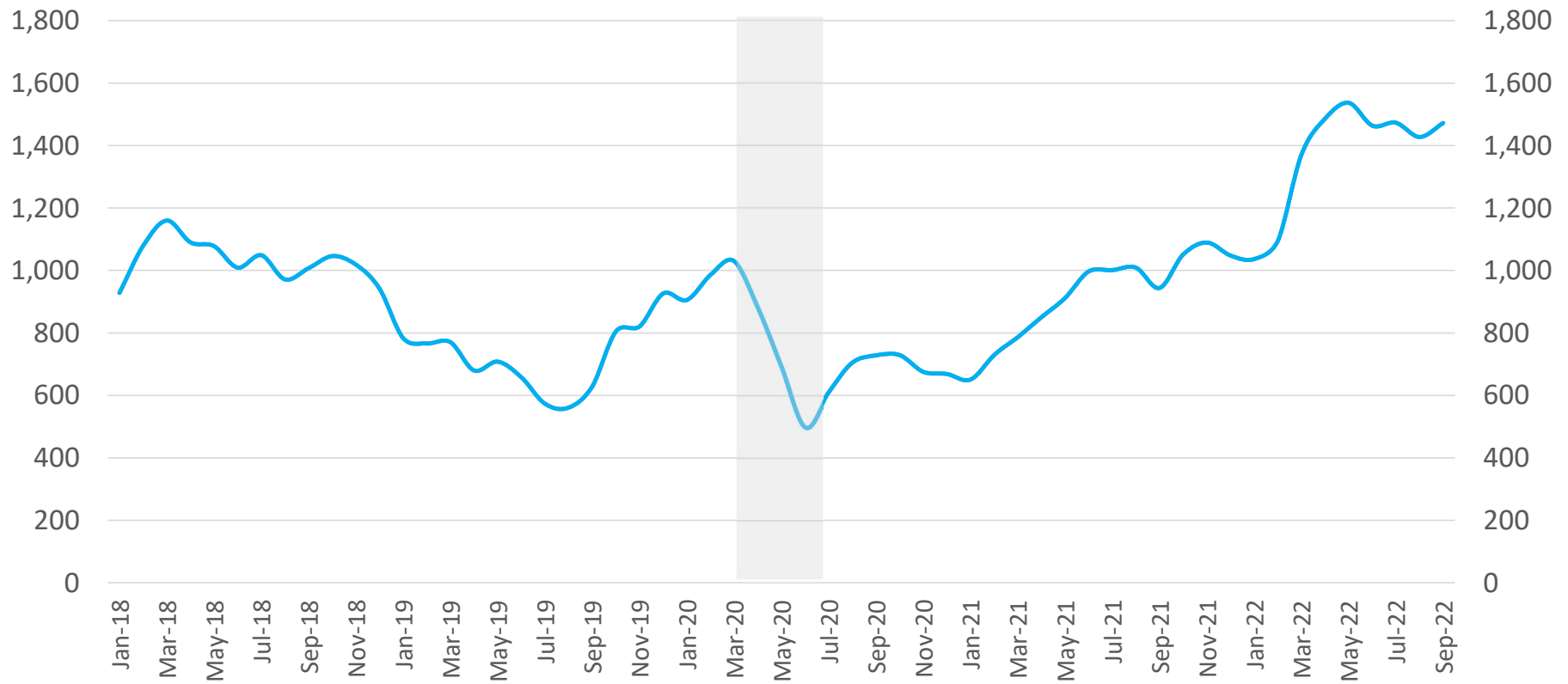
How Close Each State is to Pre-Pandemic Levels of Manuf. Employment





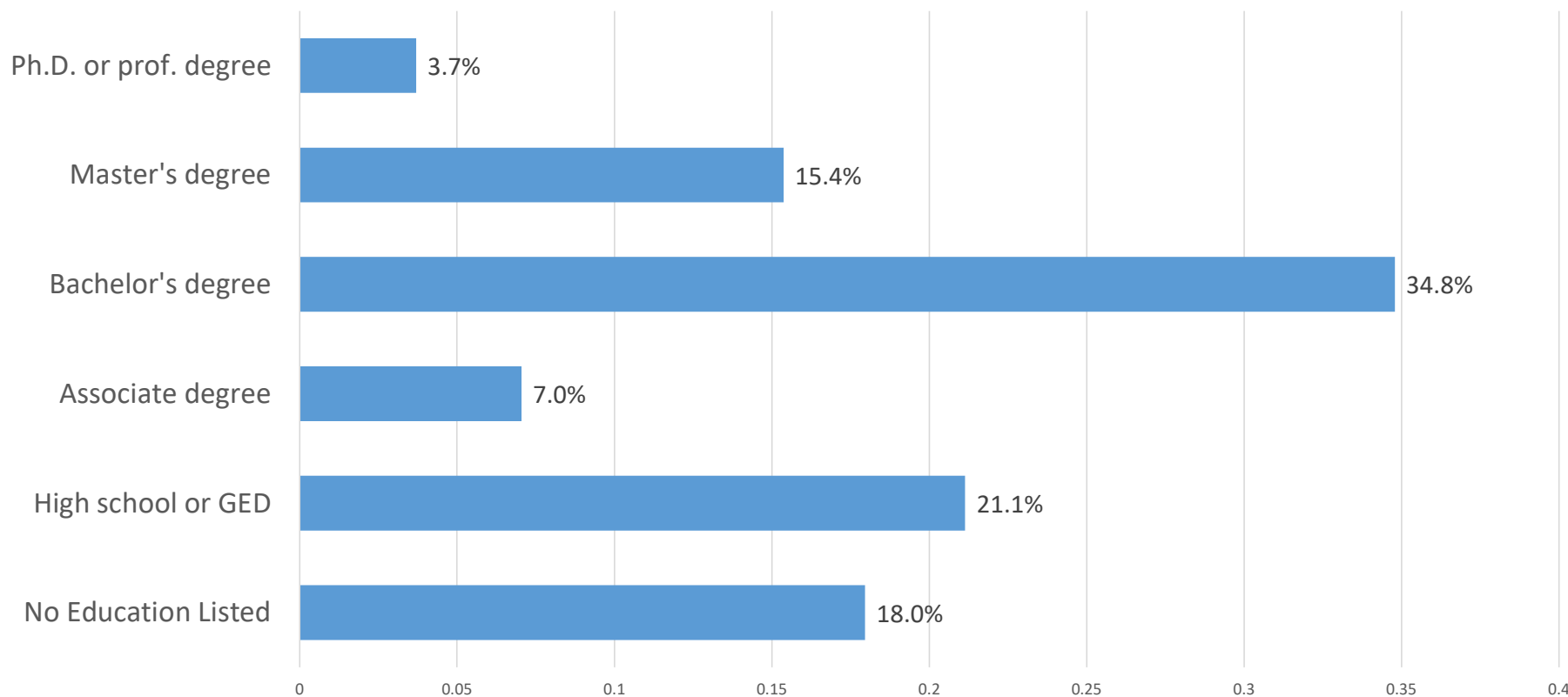
## The Demand for Manufacturing Labor Remains Strong Because of Industry Labor Demographics and Manufacturing's New and Increasing Use of Technology

Unique Job Manufacturing Job Postings in New Hampshire



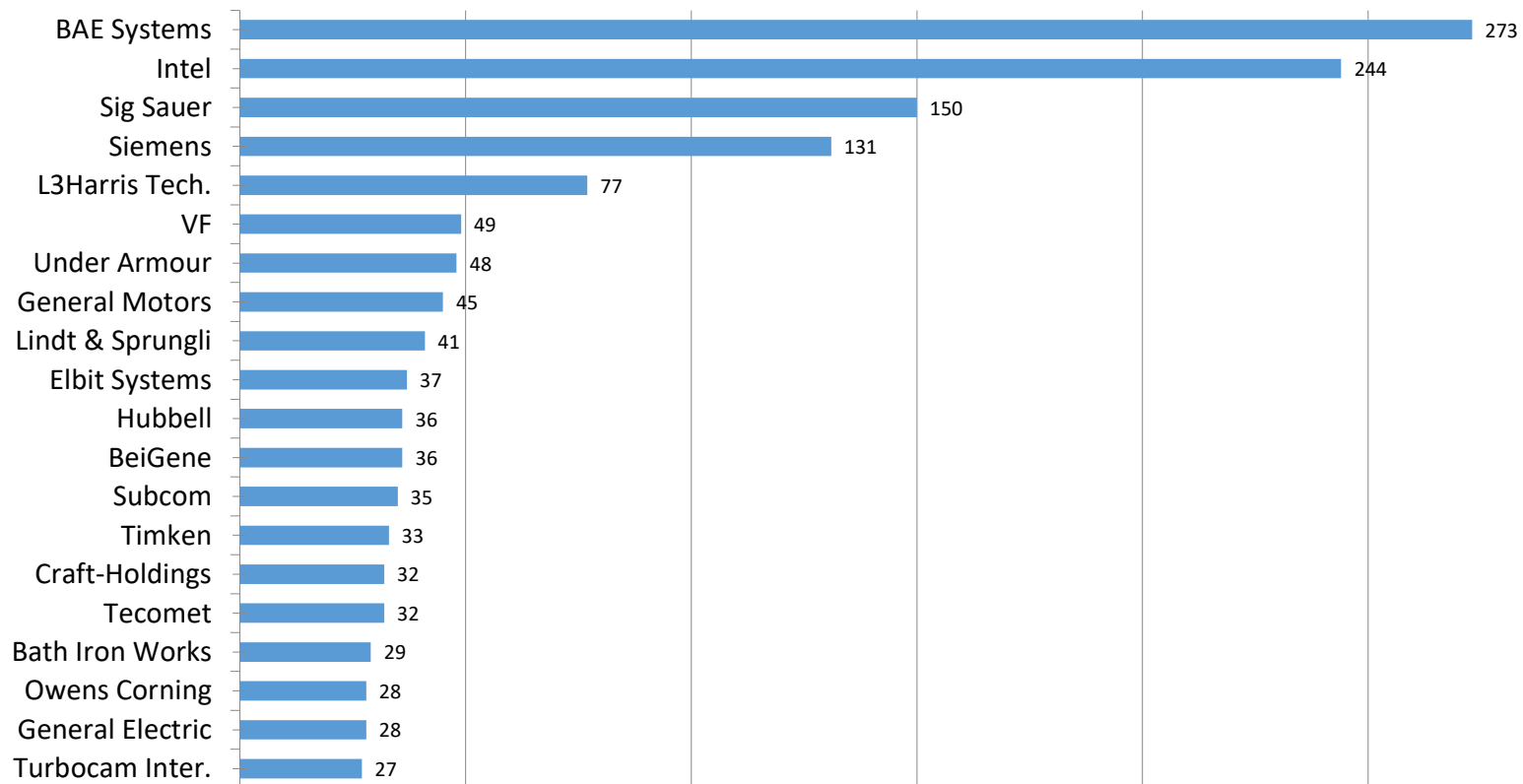
## New Hampshire Manufacturers Need Educated & Skilled Employees – 61% of Job Postings List an Associate’s Degree or Higher as a Requirement

Educational Requirements Listed in Manuf. Job Postings Aug. – Sep. 2022



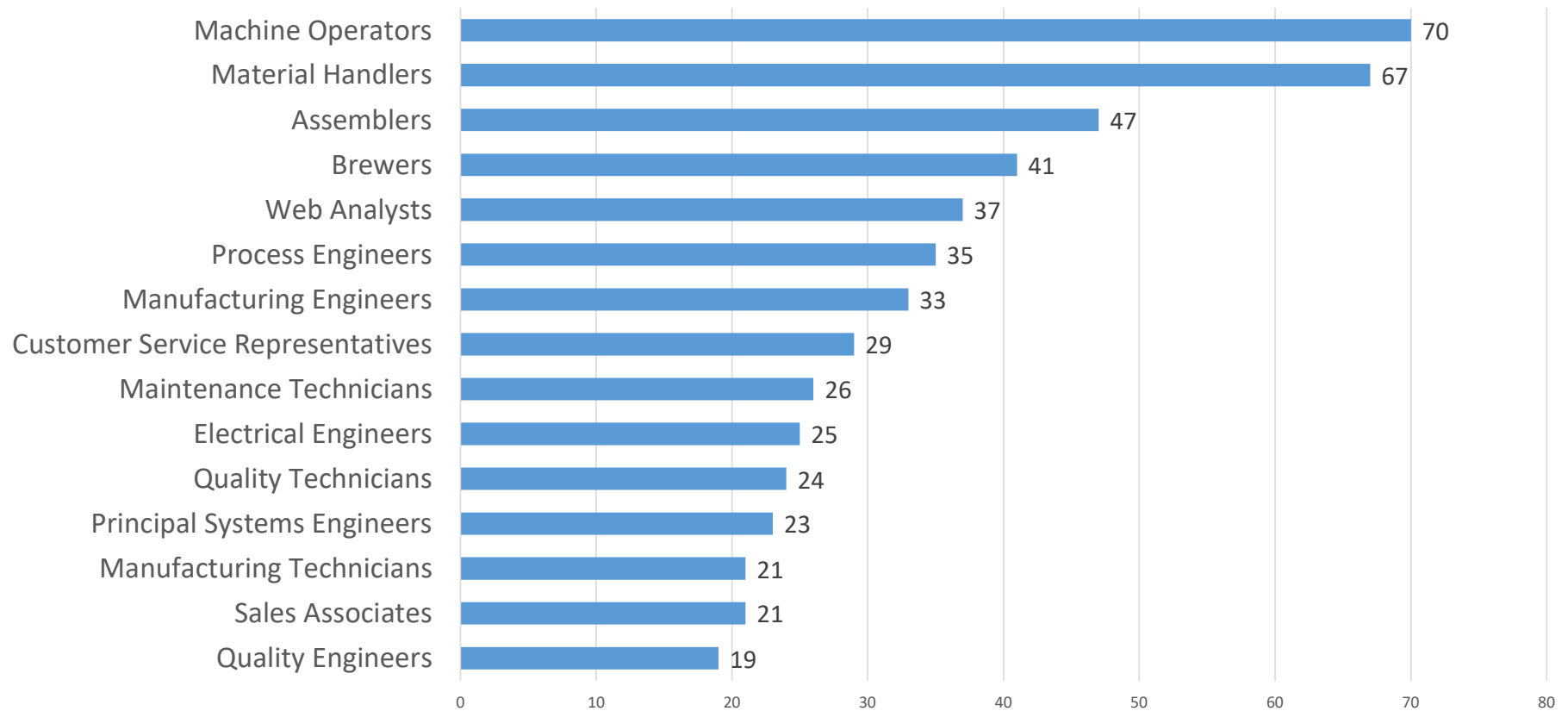
## Not All Companies Looking to Hire are in New Hampshire – Our State's Skilled Workforce Will be Poached

Manufacturing Employers With the Most Job Postings (Aug. Thru Sept. 2022)



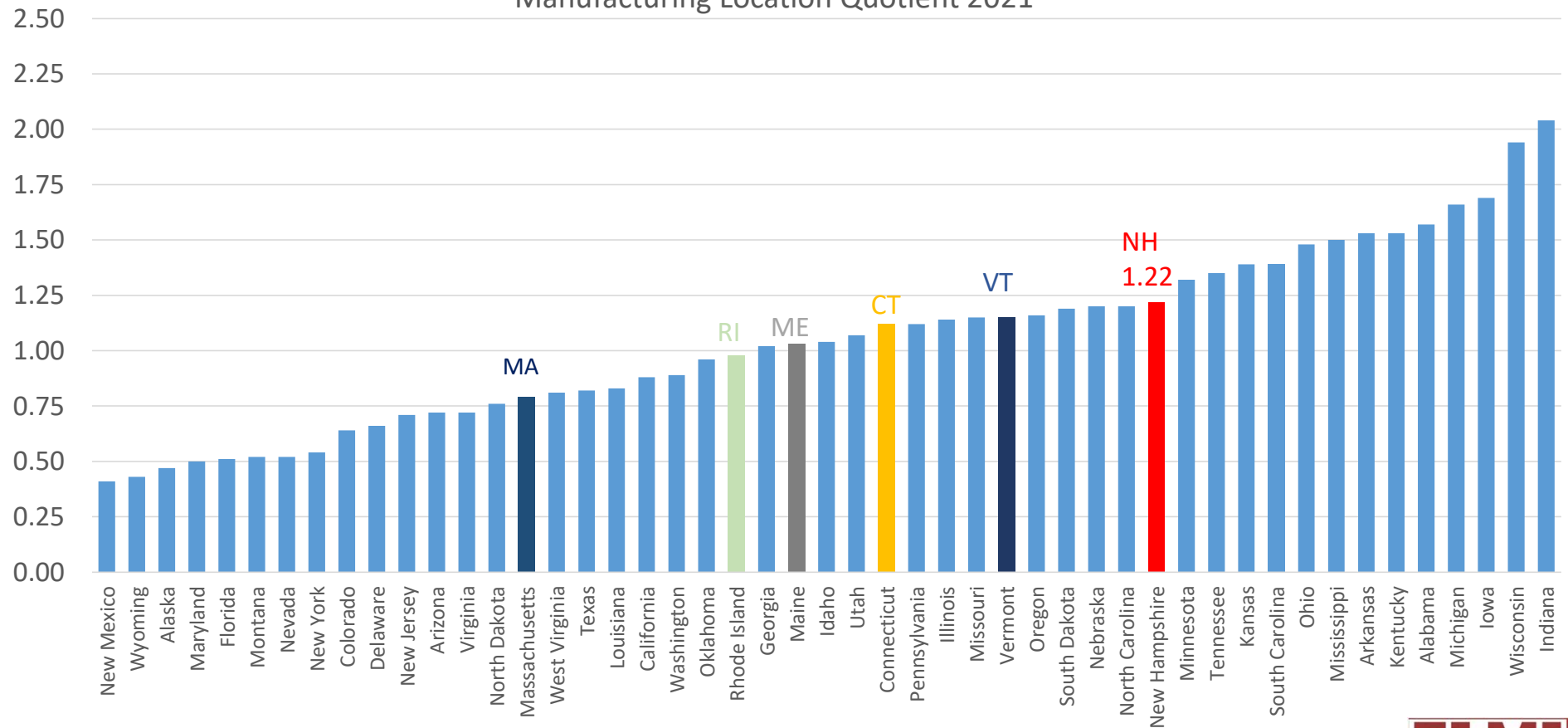
# Job Titles With the Most Postings in New Hampshire Aug. – Sep. 2022

Top Manufacturing Job Postings Aug. – Sep. 2022

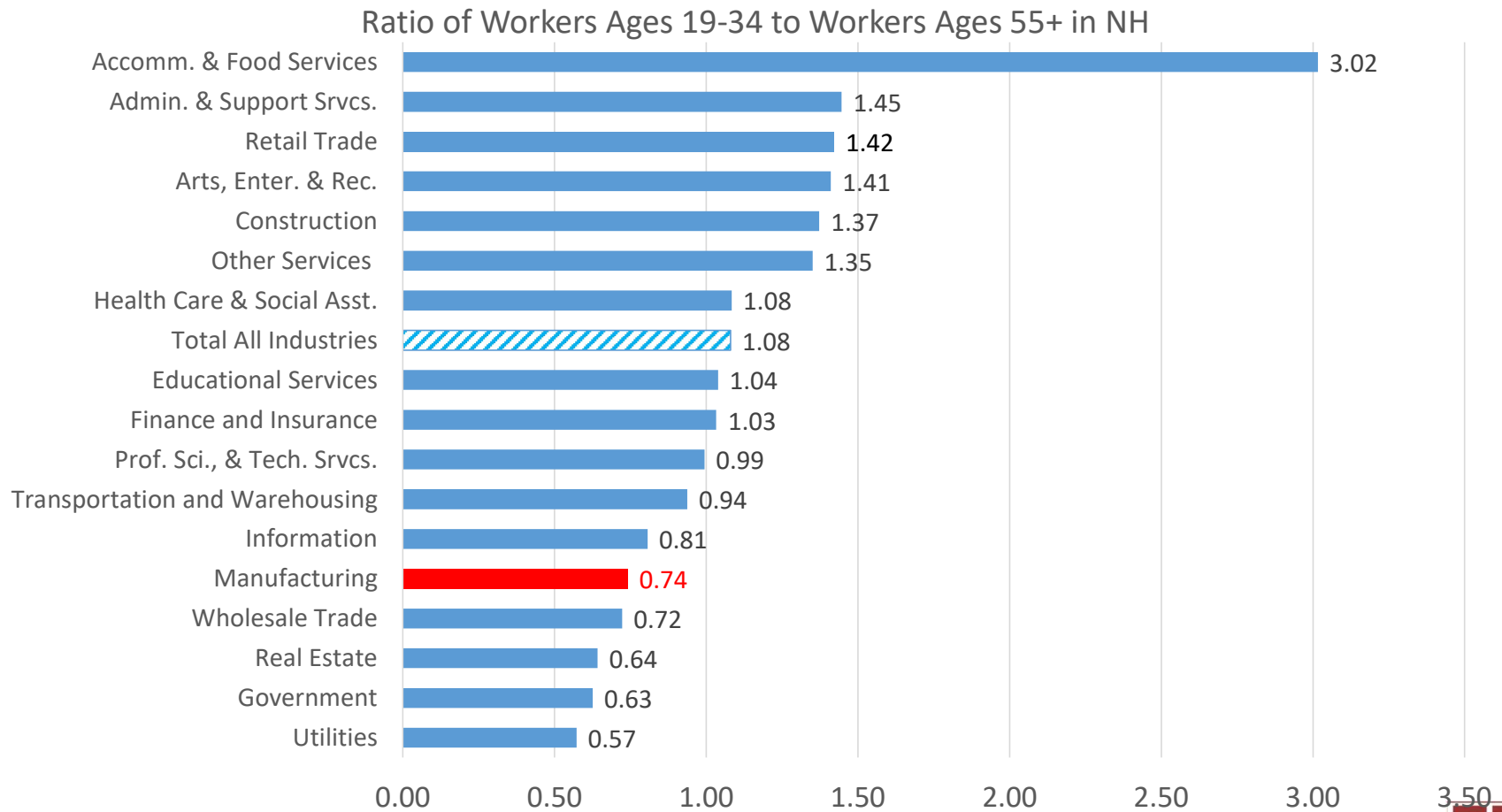


## New Hampshire Has a Higher Concentration of Manufacturing Employment Than Any State in New England or the Northeast – Labor Availability Will Be Key to Manufacturing and Overall Employment Growth in the State

Manufacturing Location Quotient 2021

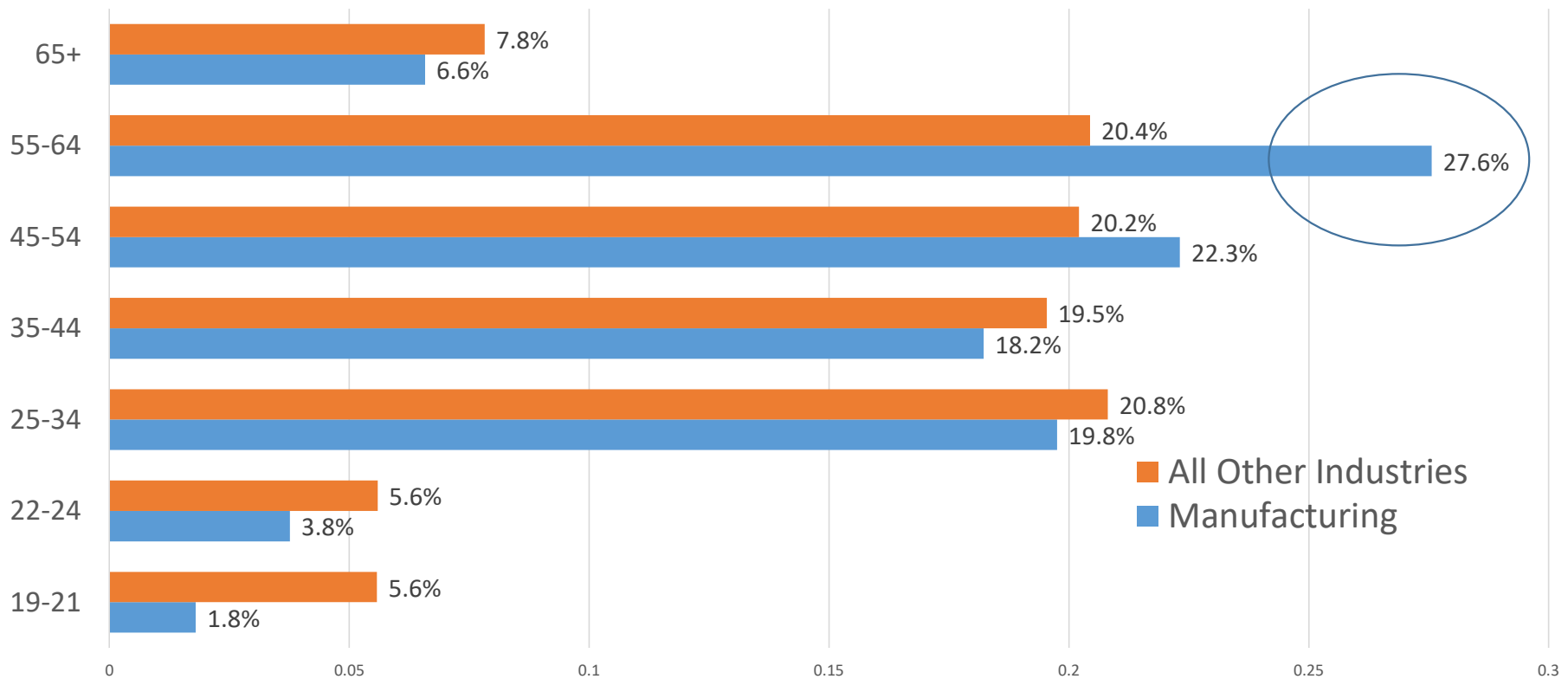


## A Challenge: Manufacturing Has Among the Oldest Workforces in New Hampshire, With Far Fewer Younger Workers (19-34) Relative to Older (55+) Workers



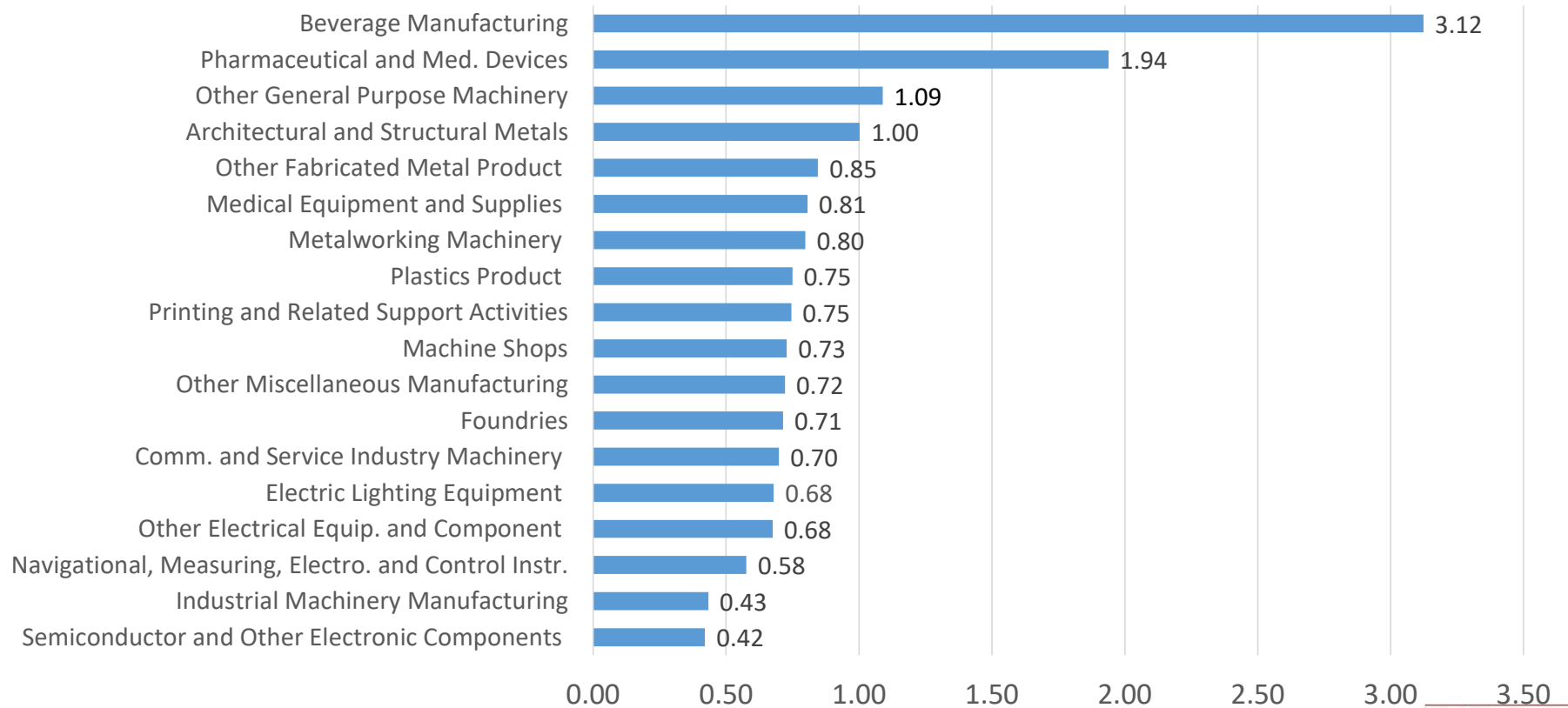
# A Third of Manufacturing Workers Will Likely Retire Over the Next Decade

% of Current NH Workforce by Age



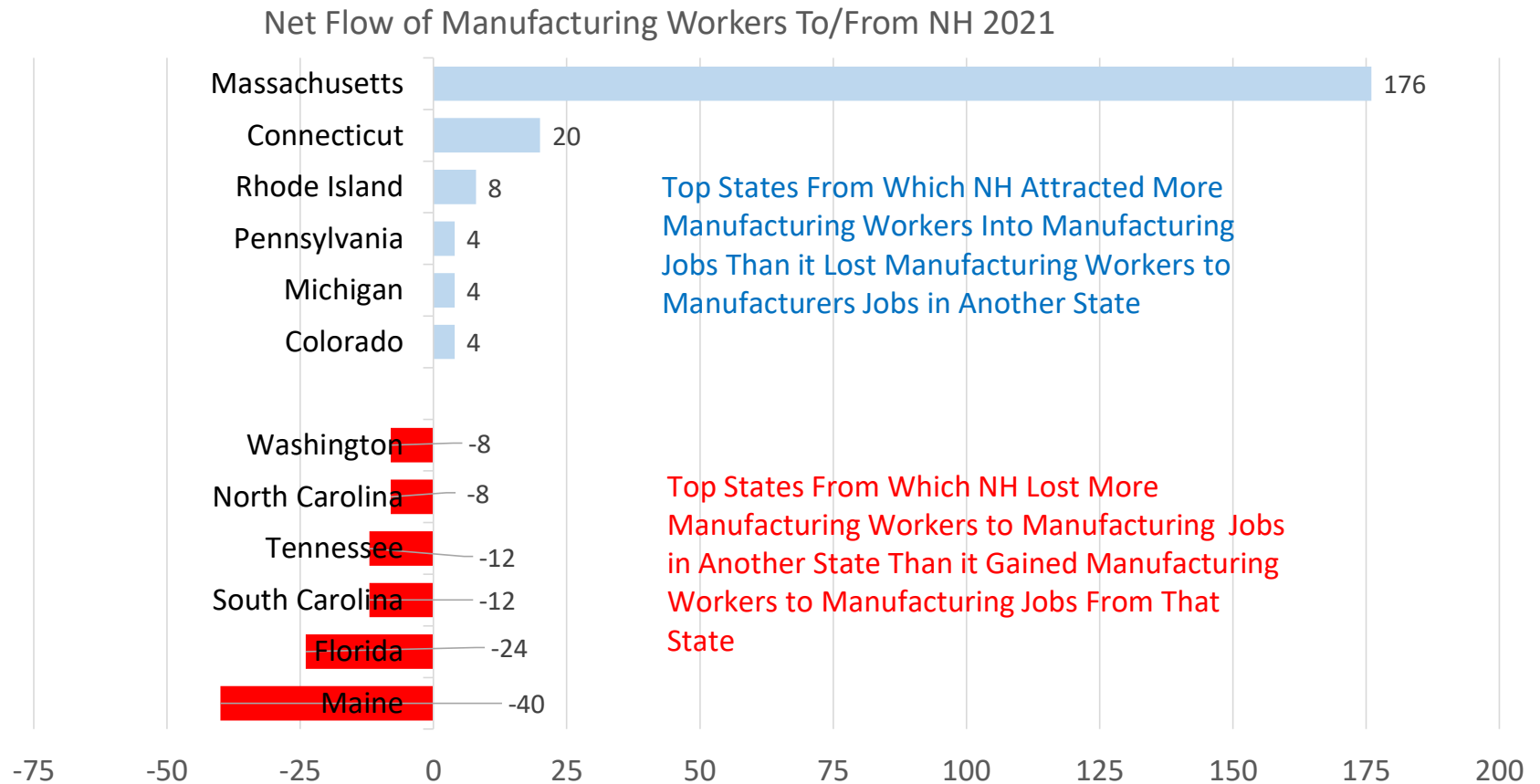
## Demographics of NH's Manufacturing Industries Differ but Only a Few Industries (With 1,000 Employees or More) are Younger Than the State Average

Ratio of Workers Ages 19-34 to Workers Ages 55+ in NH  
(Industries With 1,000+ Workers)



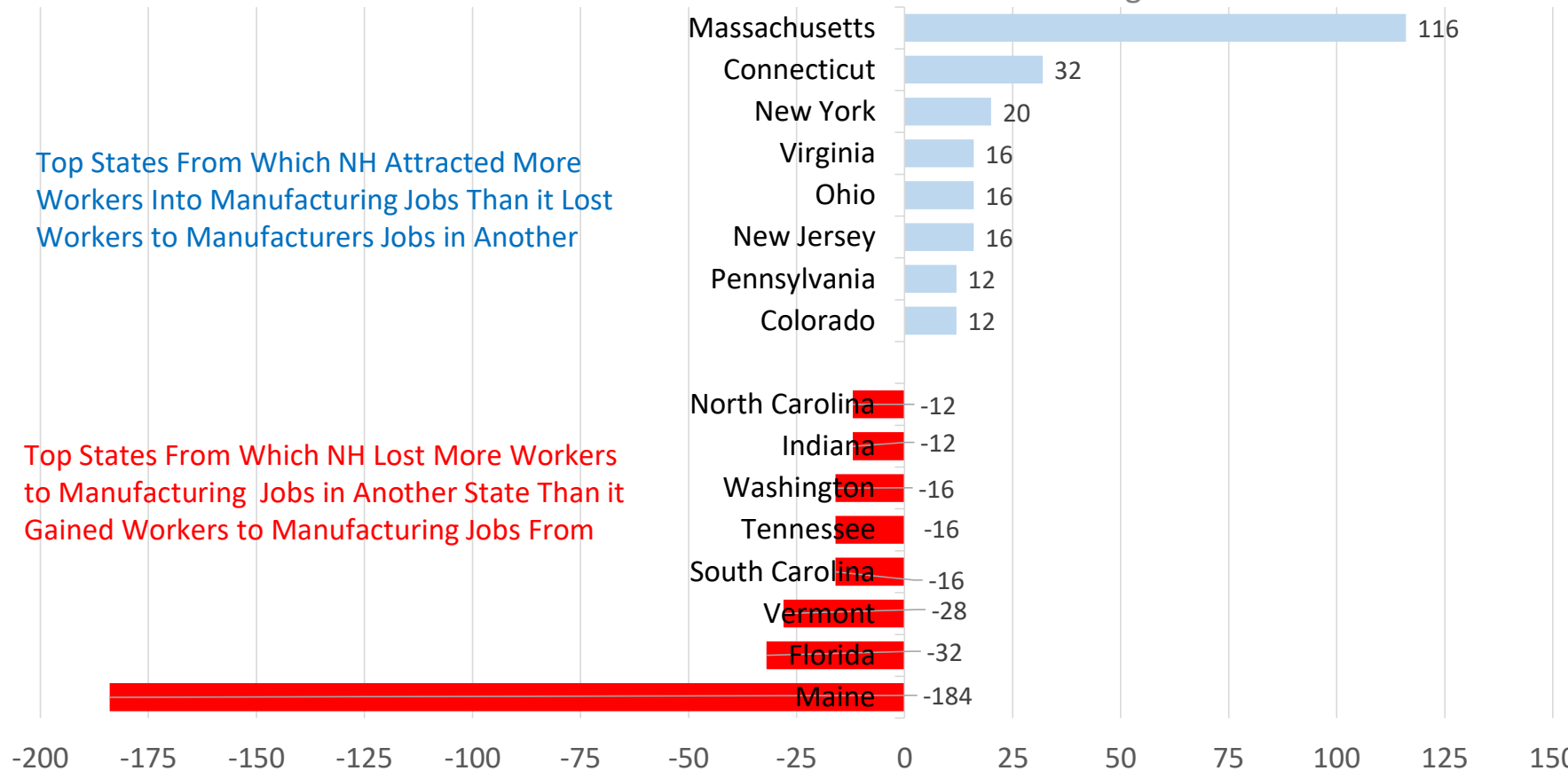


## As Workers in Manufacturing Take Manufacturing Jobs in Other States NH Can Gain or Lose Skilled Labor - Top States From Which NH Gained and Lost Workers



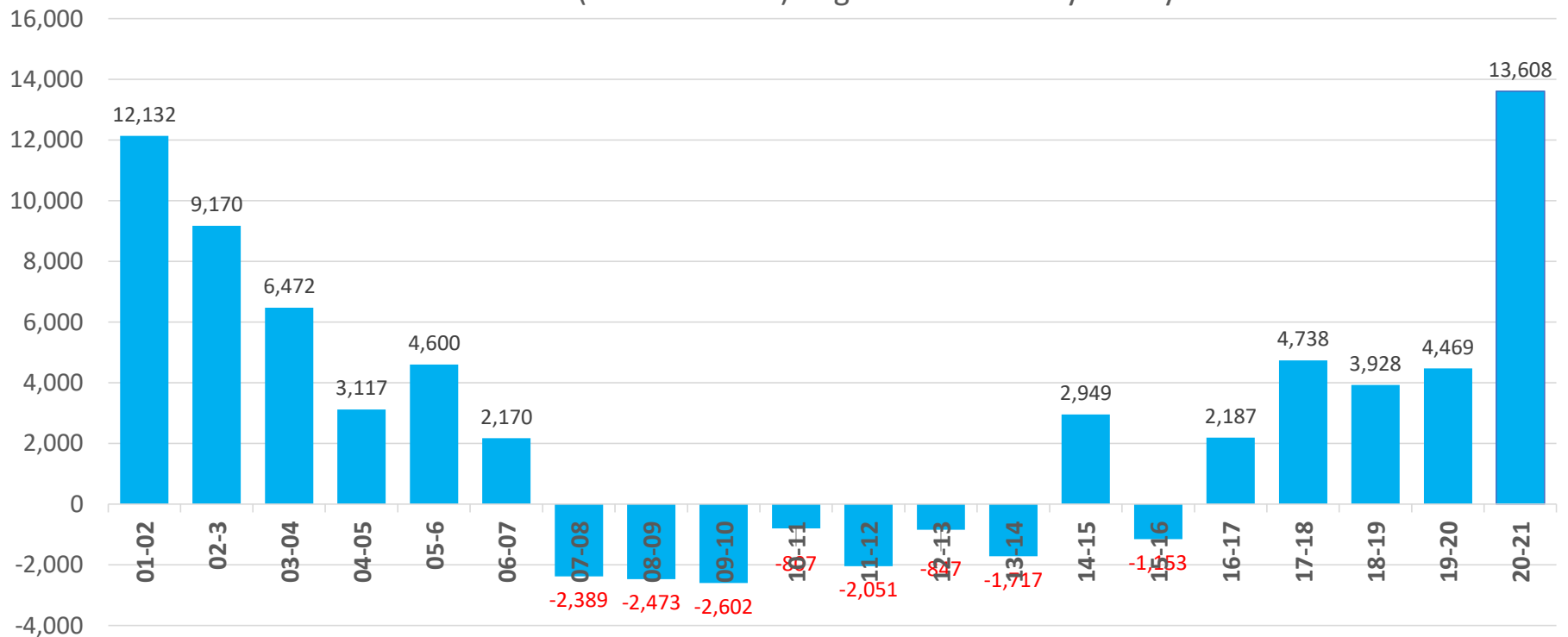
## And Workers Coming From Another Industry to Manufacturing Can Increase or Decrease Manufacturing Labor in NH - Top States From Which NH Gained and Lost Workers Taking a Manufacturing Job

Net Flow of All Workers To and From NH For Manufacturing Jobs 2021



After Decades of 10-20,000 Annual Migrants From Other States, NH Experienced a Decline – Resuming Growth Will Boost NH’s Labor Force and Longer-Term Prospects (Housing Availability is Key)

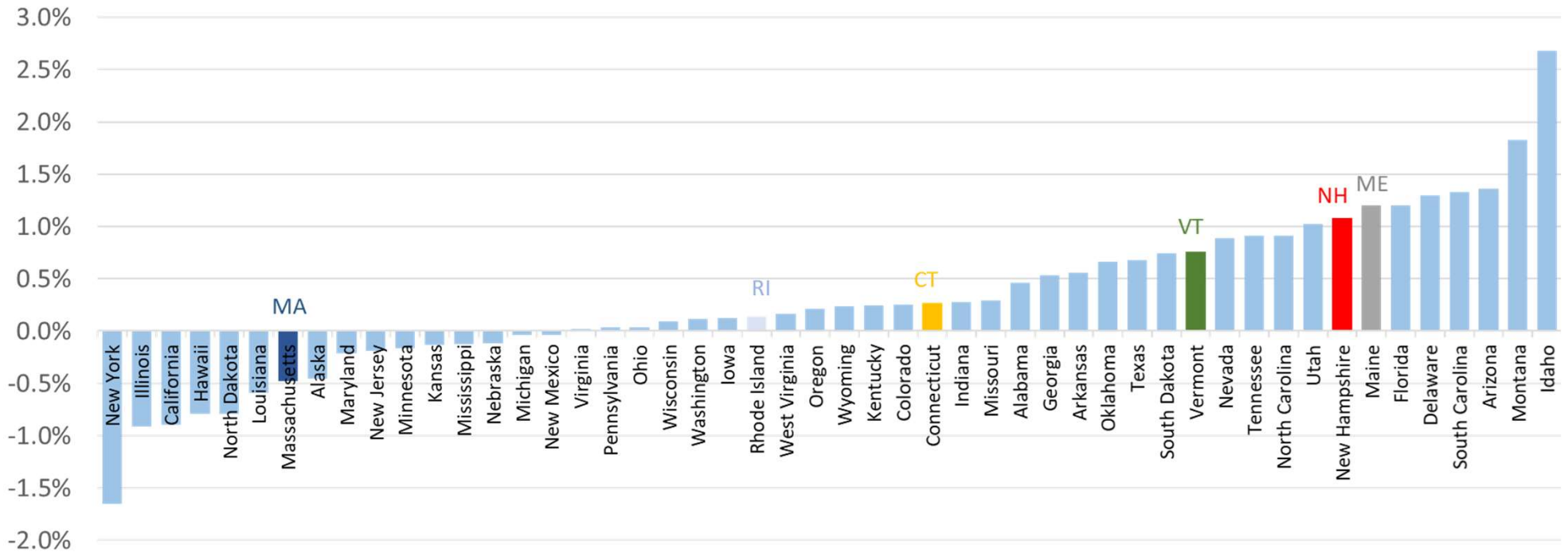
Net Domestic (State-to-State) Migration to NH July to July



Source: U.S. Census Bureau, Forecast: NH Economic and Labor Market Information Bureau

# New Hampshire Benefited From a Desire for Less Density and Remote Work Opportunities Since the Pandemic

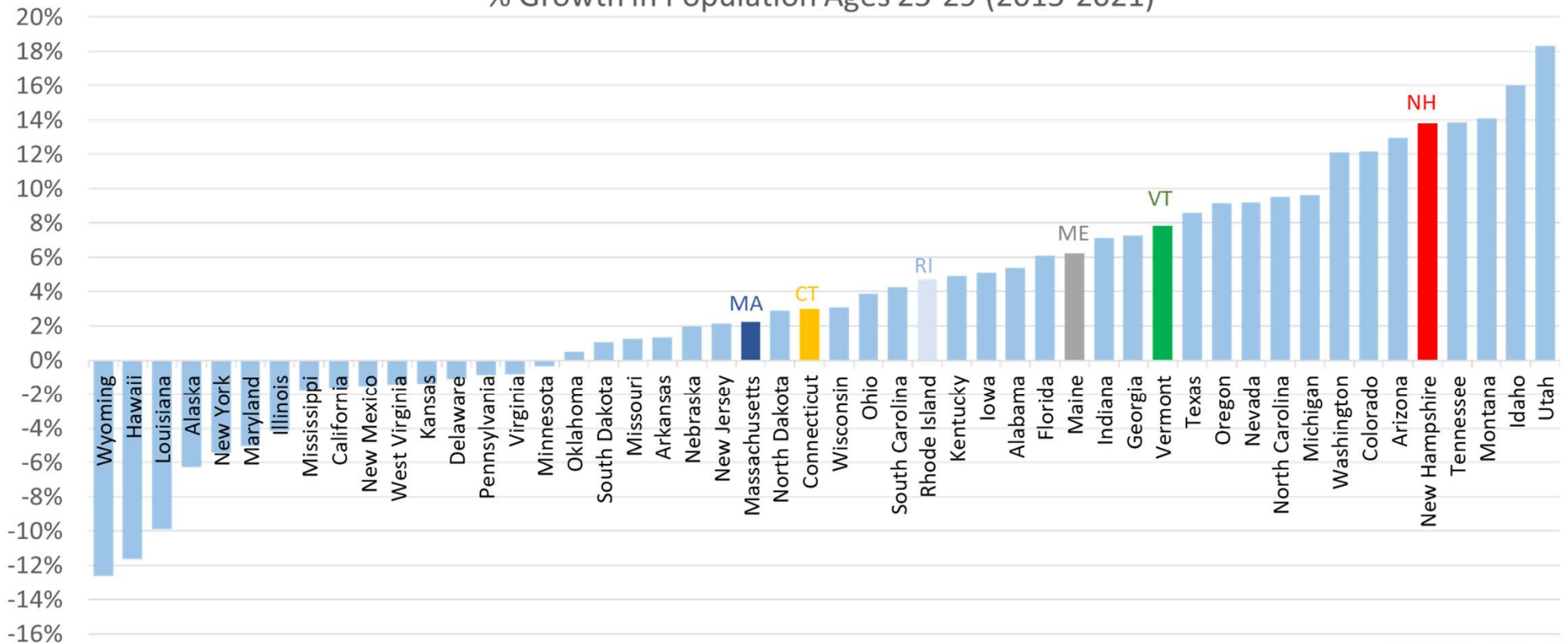
Net State-to-State Migration (July 2020 to July 2021) as a % of 2020 Population



Source: U.S. Census Bureau, ELMI

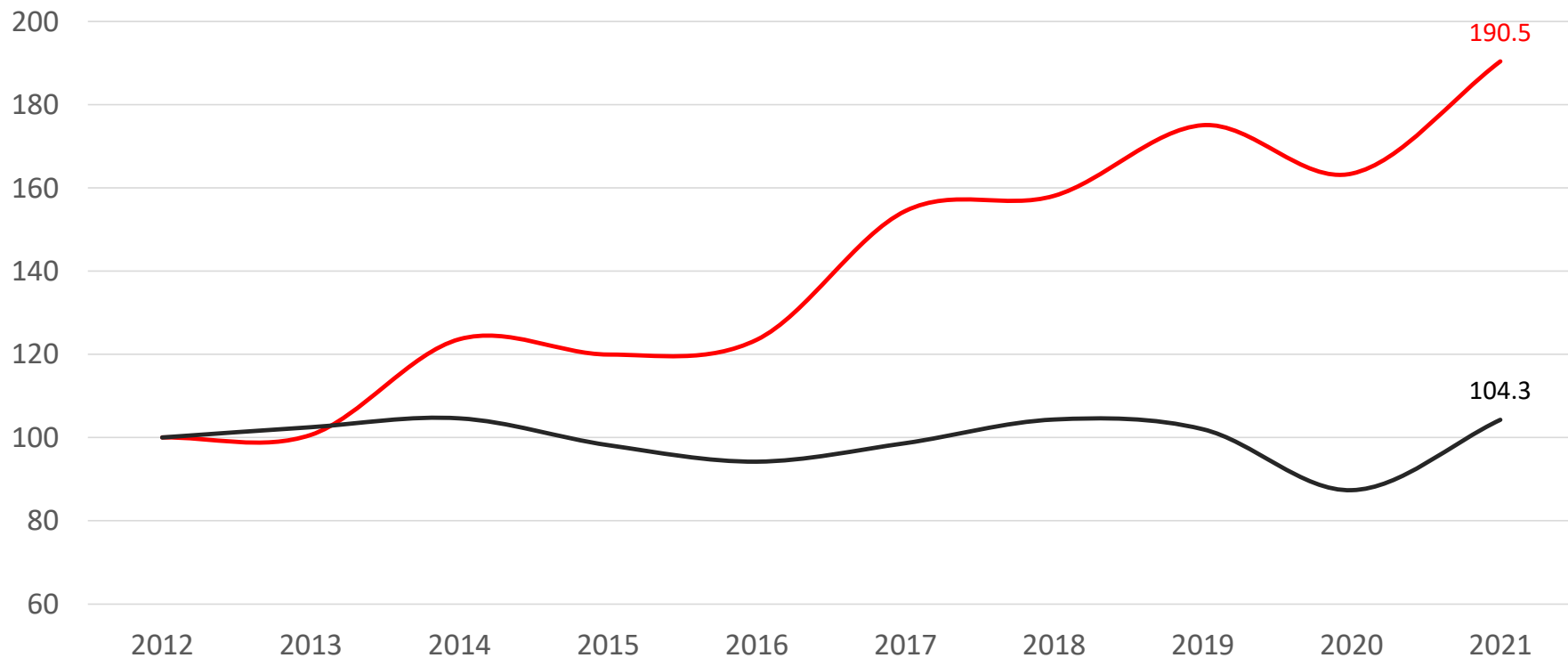
## Since 2015, NH Has Had the 5<sup>th</sup> Largest Percentage Increase in Population of 25-29 Yr. Olds of Any State (2<sup>nd</sup> Highest Since 2014)

% Growth in Population Ages 25-29 (2015-2021)



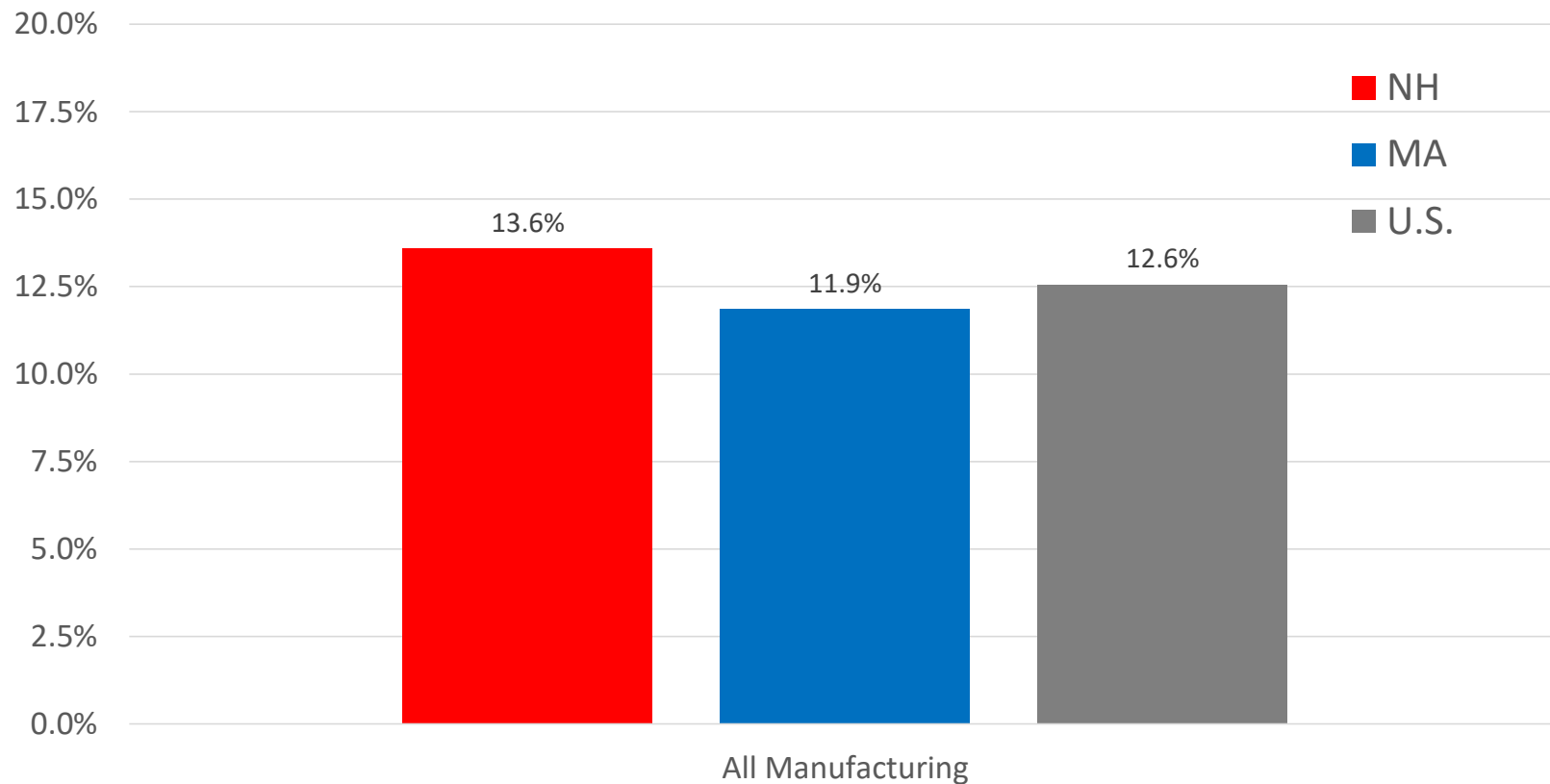
## While Manufacturing Employment Has Not Recovered as Fast as in the U.S., New Hampshire Manufactured Exports Have Boomed

Dollar Value of Manufactured Exports (Index: 2012 = 100)

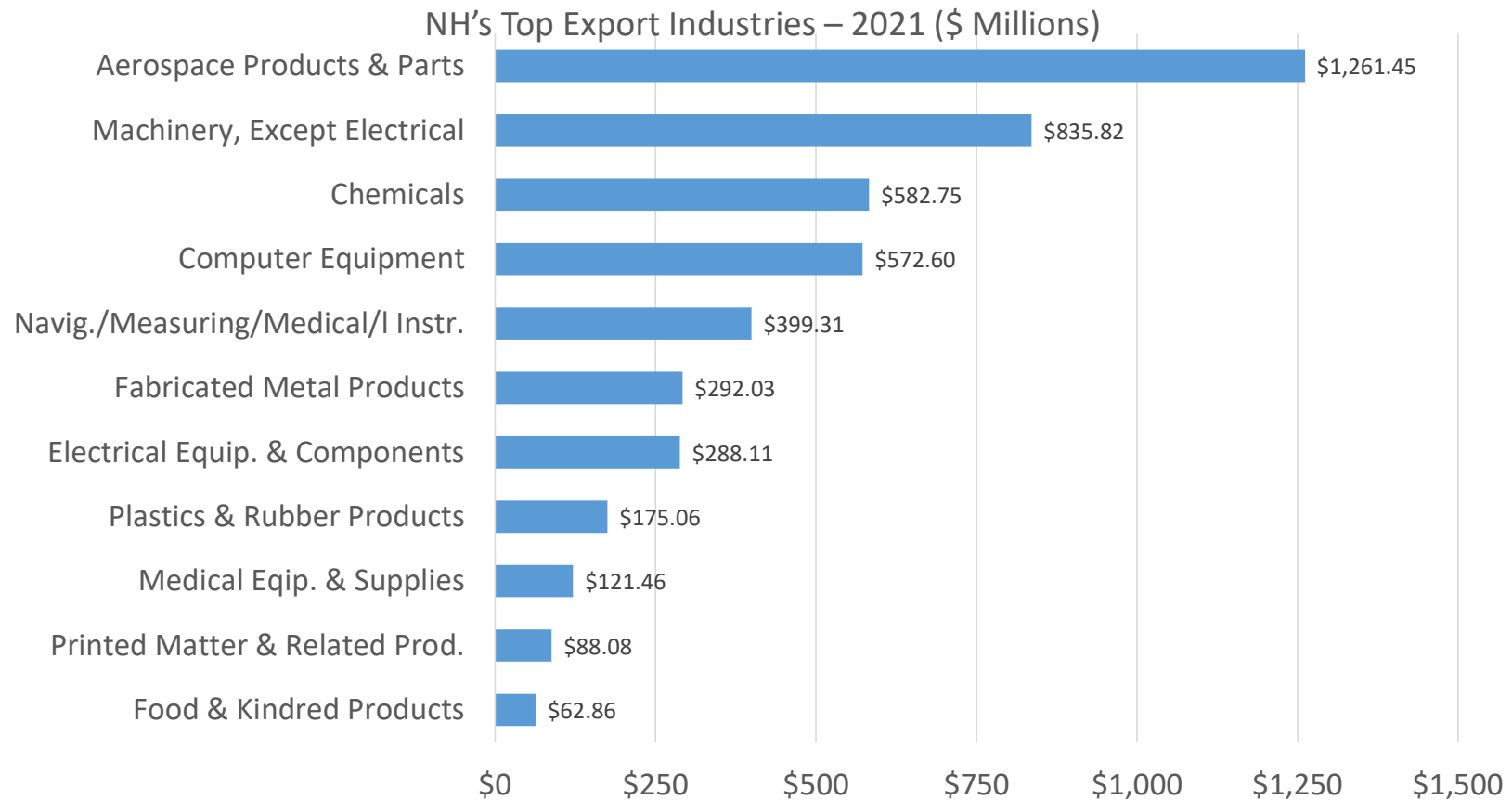


## And Real (Inflation Adjusted) Output per Manufacturing Worker Has Increased Faster in NH Than in the U.S. or MA Since 2015 –NH Manufacturing is Shifting to Higher Value-Added Industries

% Change in Real (Inflation Adjusted) GDP Per Employee 2015-2021



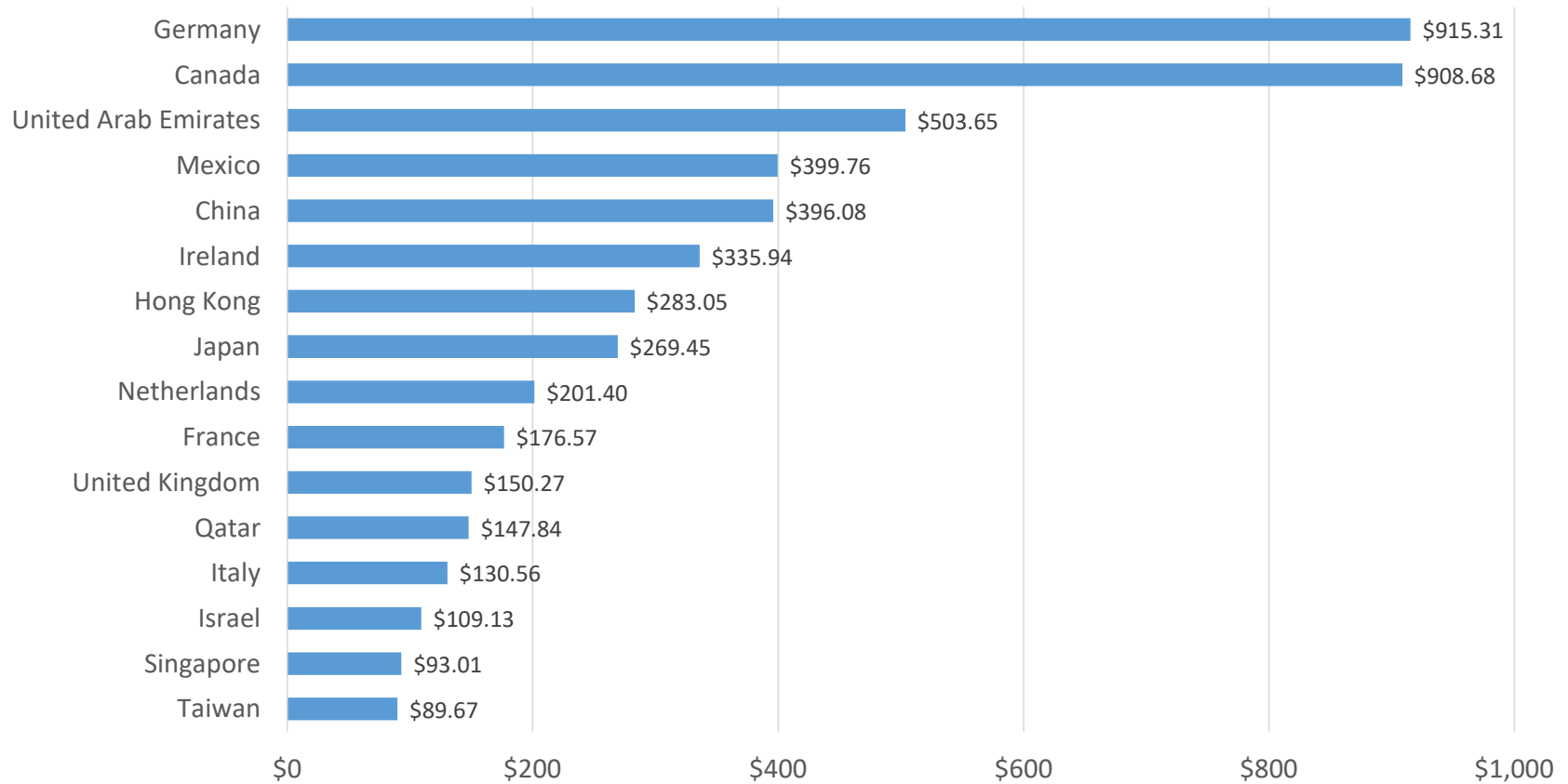
## Seventy Percent of New Hampshire's More Than \$6 Billion of Exports in 2021 Were in These 10 Industries





# New Hampshire's Largest Export Markets

Top 20 NH Export Markets – 2021 (\$ Millions)



Despite Current Headwinds the Longer-Term Trends in NH Manufacturing are Solid, as the Industry Transitions to More Advanced Manufacturing. What is Most Important for Securing its Future in the State?

- Innovation
- Labor Availability, Skills, and Quality
- Costs of Doing Business in NH (which ones?)
- Something Else?