

# The Outlook for the U.S. and New Hampshire Economies in 2025

Greater Concord Chamber of Commerce  
January 16, 2025

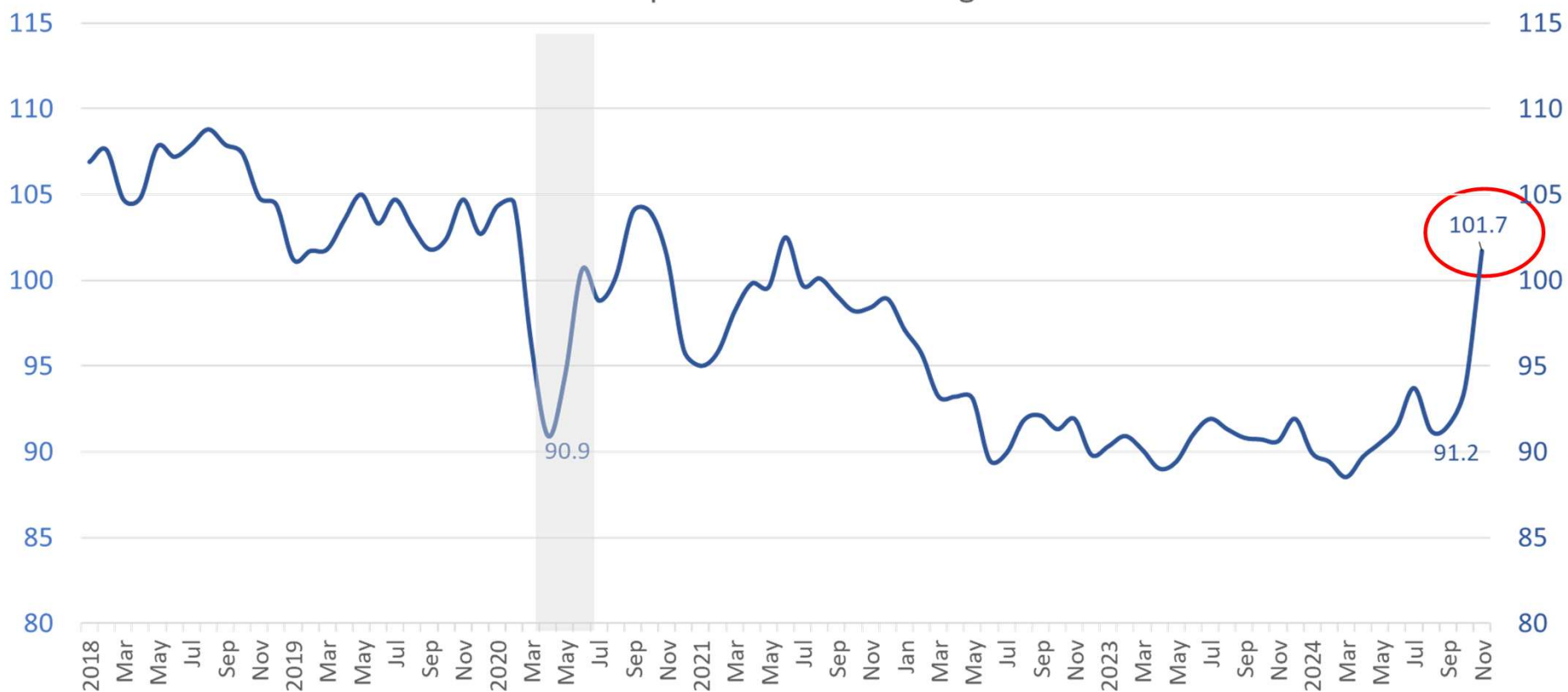
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## Overview and Outlook

- The U.S. economy is performing well and the probability of recession in 2025 is low
- Job losses in NH and nationally remain low by historical standards
- Consumer spending remains strong as wages have been rising faster than inflation
- Low layoffs, rising incomes, and moderating inflation are keys to a positive 2025
- **The New Hampshire economy begins 2025 with solid upward momentum**
- Since June, the state's rate of job growth has exceeded the nation's
- New businesses are starting at rates faster than in the U.S. overall
- Demographics and related labor constraints are the state's greatest challenges to growth
- Supporting movement into NH is key to population and labor force growth
- Housing shortages exacerbate demographic and labor force challenges, but impressive house price gains are attracting builders and increasing residential permits

# Small Businesses Have Been Hit Hardest by Higher Labor and Material Costs, and Competition for Labor, but Their Optimism Usually Jumps With a Republican Administration

## NFIB Small Business Optimism Index Through November 2024



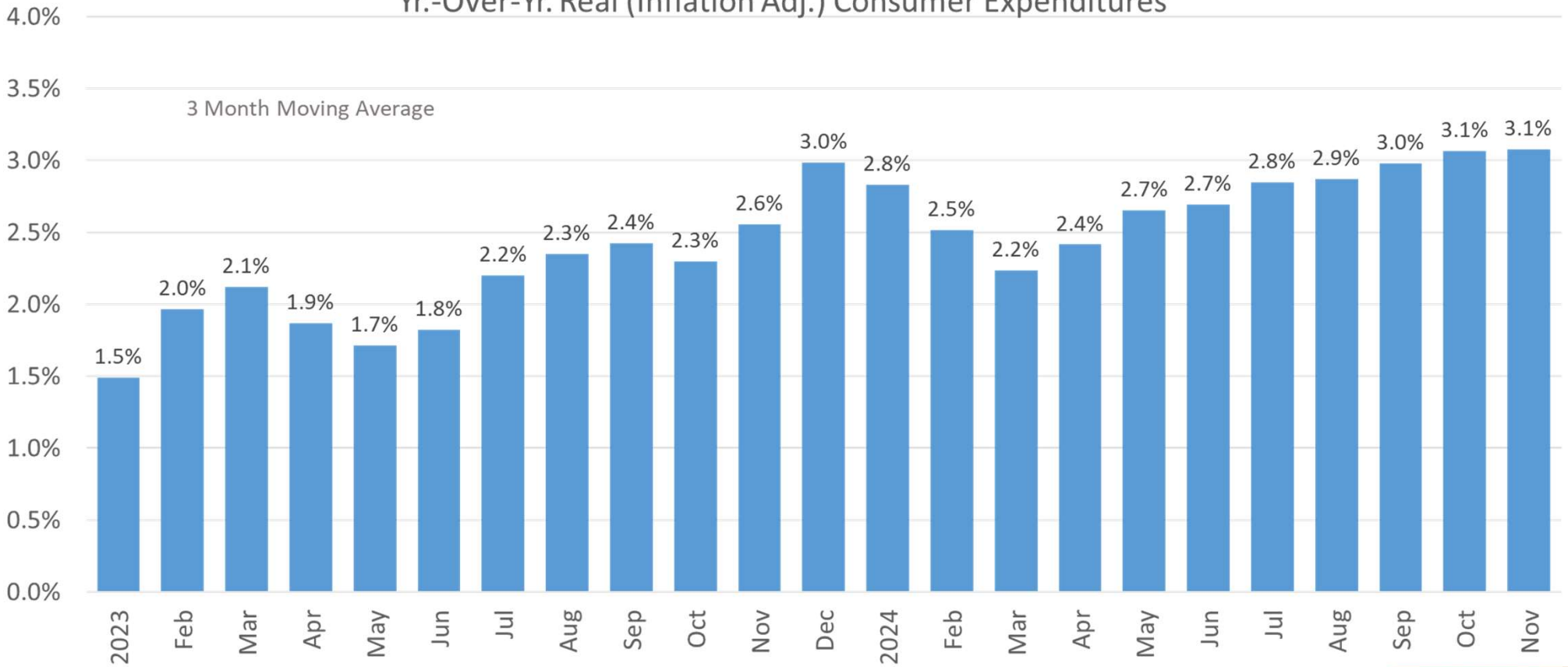
Consumer Spending is Key to Economic Growth: Prices are Higher Than Pre-Pandemic But Inflation Has Slowed and Wages Have Been Growing Faster Than Inflation for Two Years



Source: U.S. Bureau of Labor Statistics, Federal Reserve Bank of Atlanta "Wage Tracker," ELMI

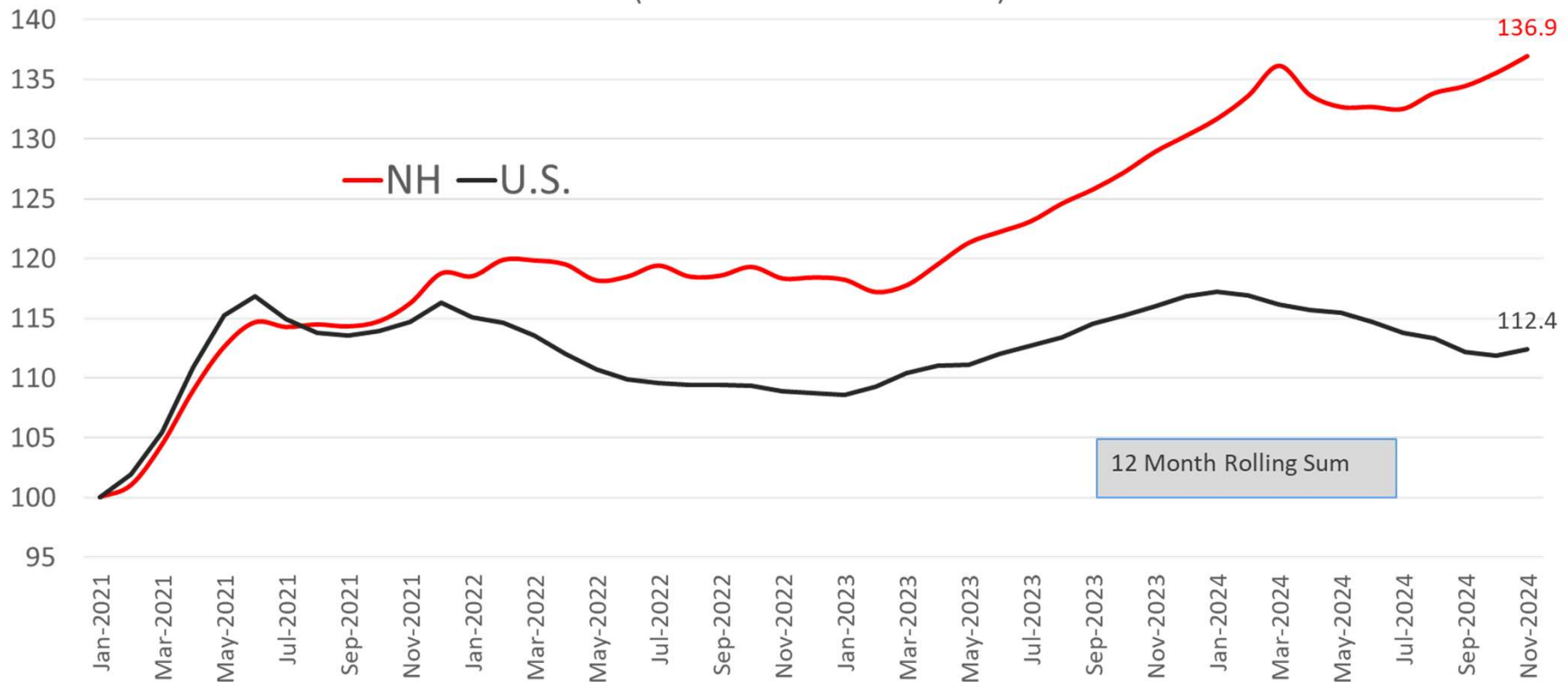
## One Result: The Trend in Real (Inflation Adjusted) Consumer Spending (Including Services) is Strong.

Yr.-Over-Yr. Real (Inflation Adj.) Consumer Expenditures

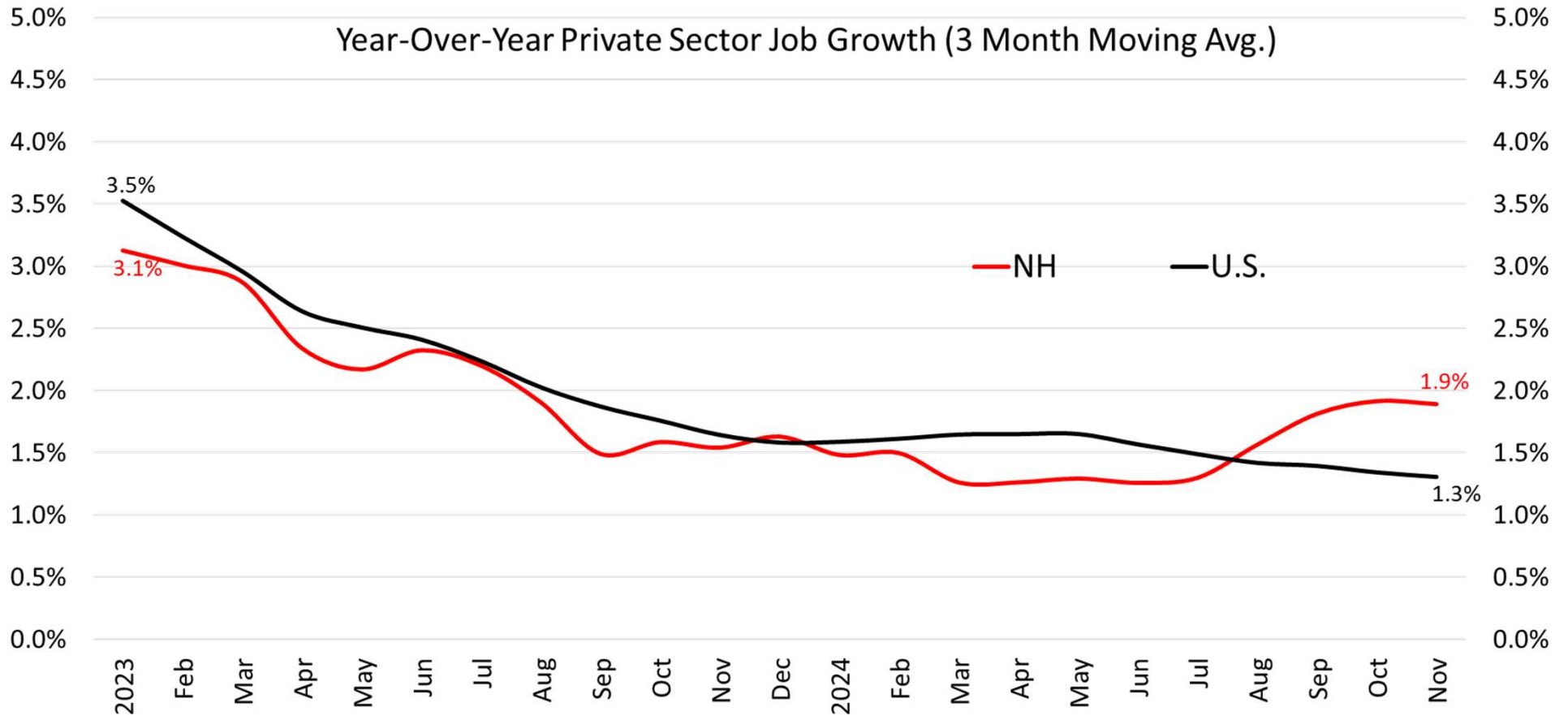


# New Business Formations in New Hampshire Have Accelerated Relative to the Nation, Signaling Solid Opportunities and Entrepreneurial Activity in the State

New Business Formations - Businesses Most Likely to Hire Employees  
(Index Jan-Dec 2020 = 100)

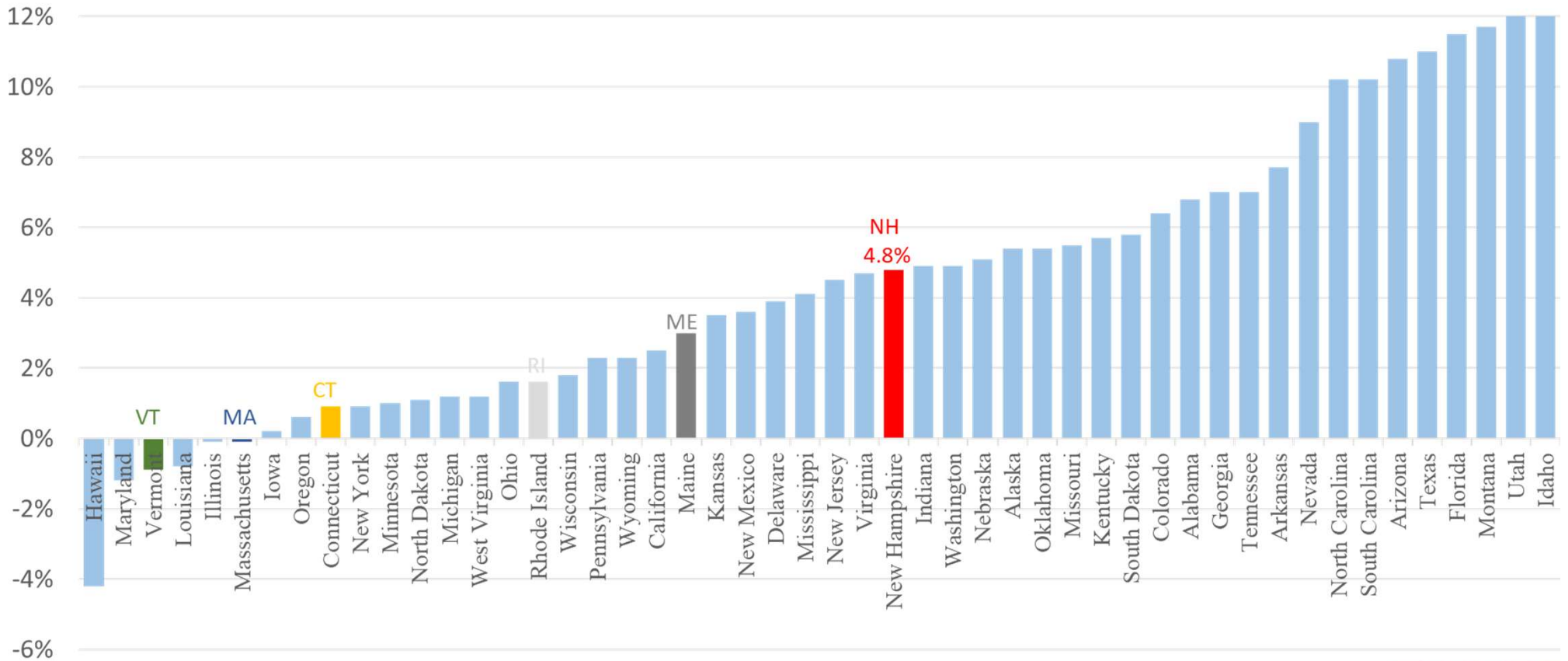


## Private Sector Job Growth Gained Momentum in the Nashua Region in 2024



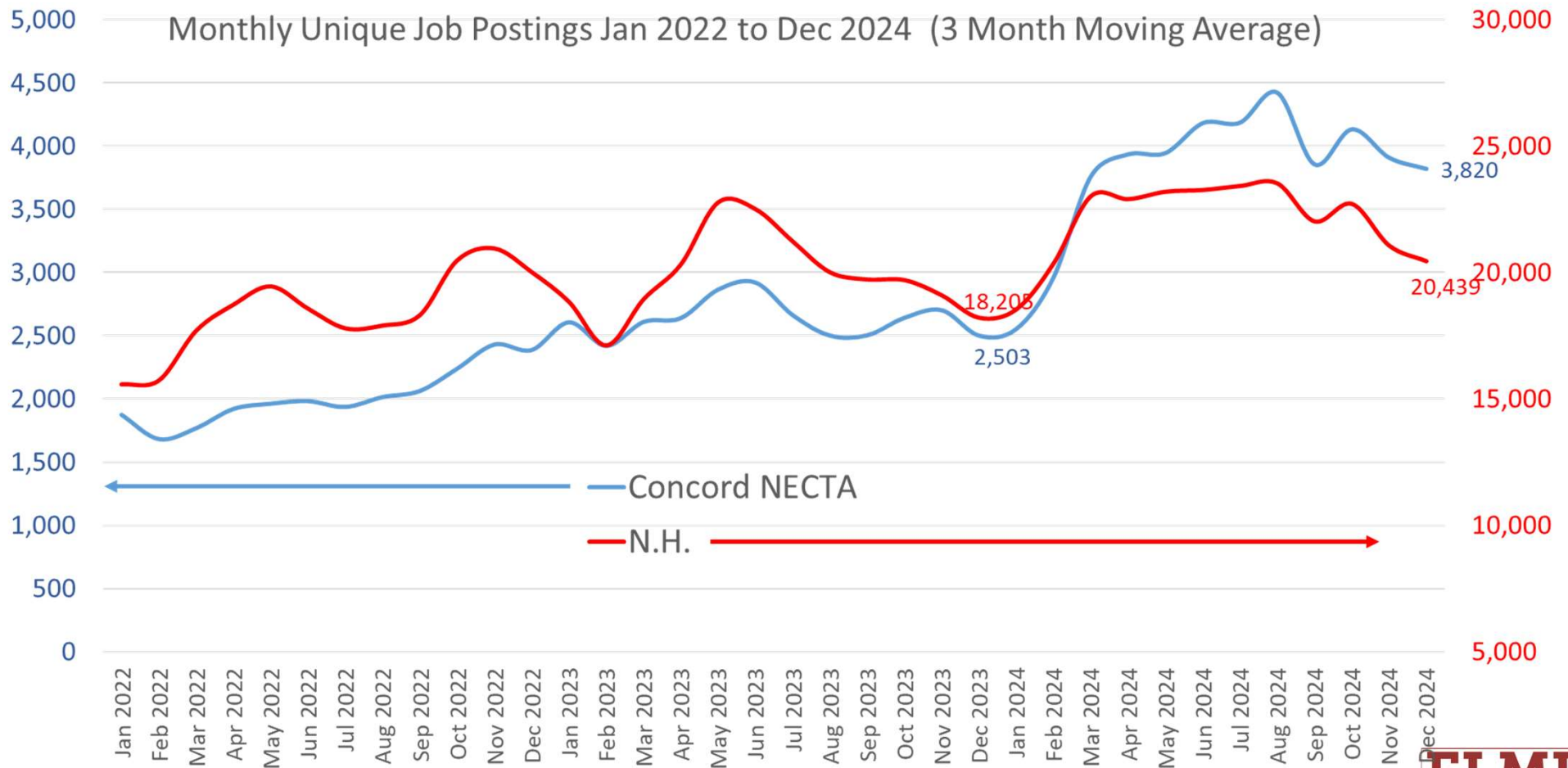
# New Hampshire Has Recovered Private Sector Jobs Significantly Faster From Pandemic Losses Than all Other States in the Northeast

Nov. 2024 Private Sector Emp Compared to Pre - Pandemic Peak

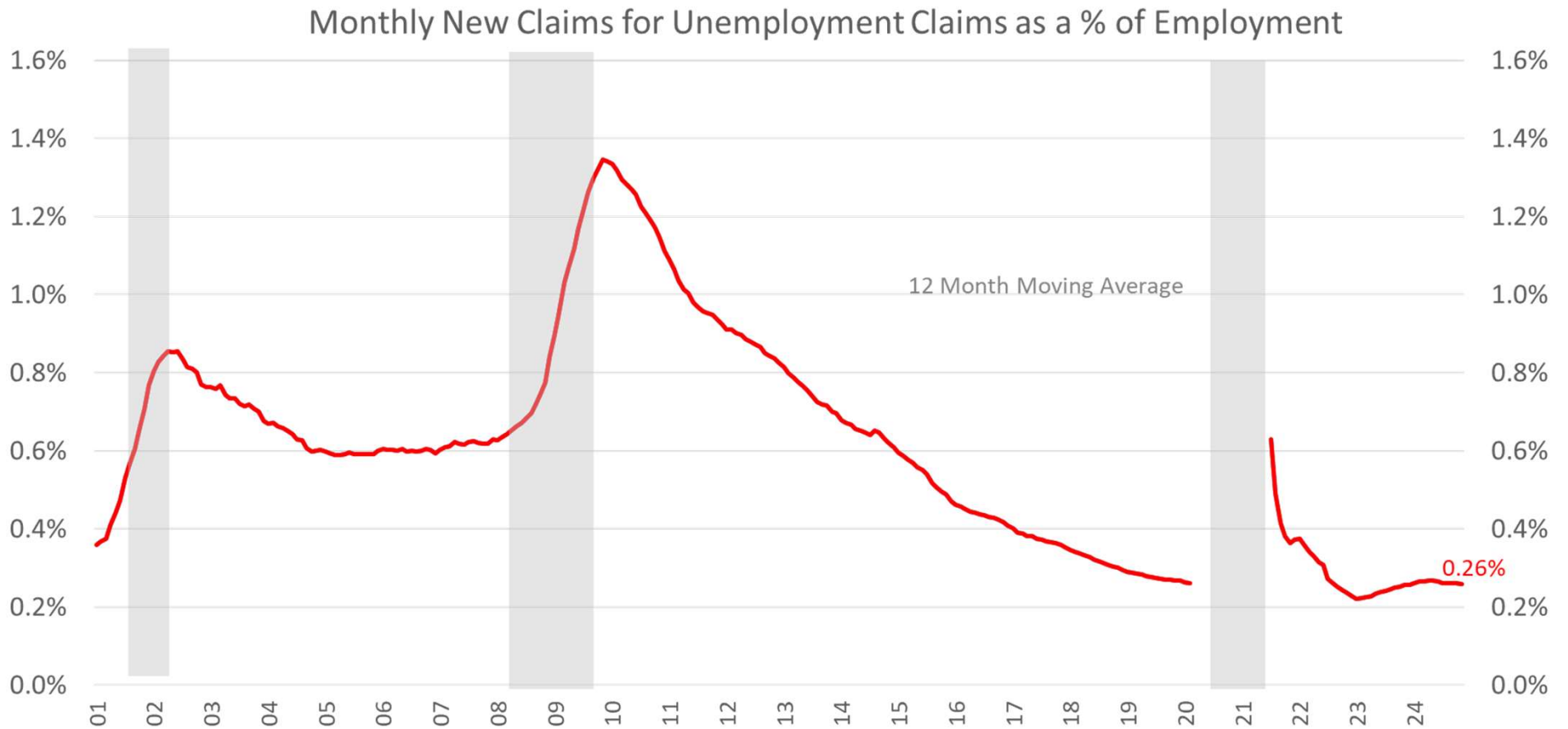




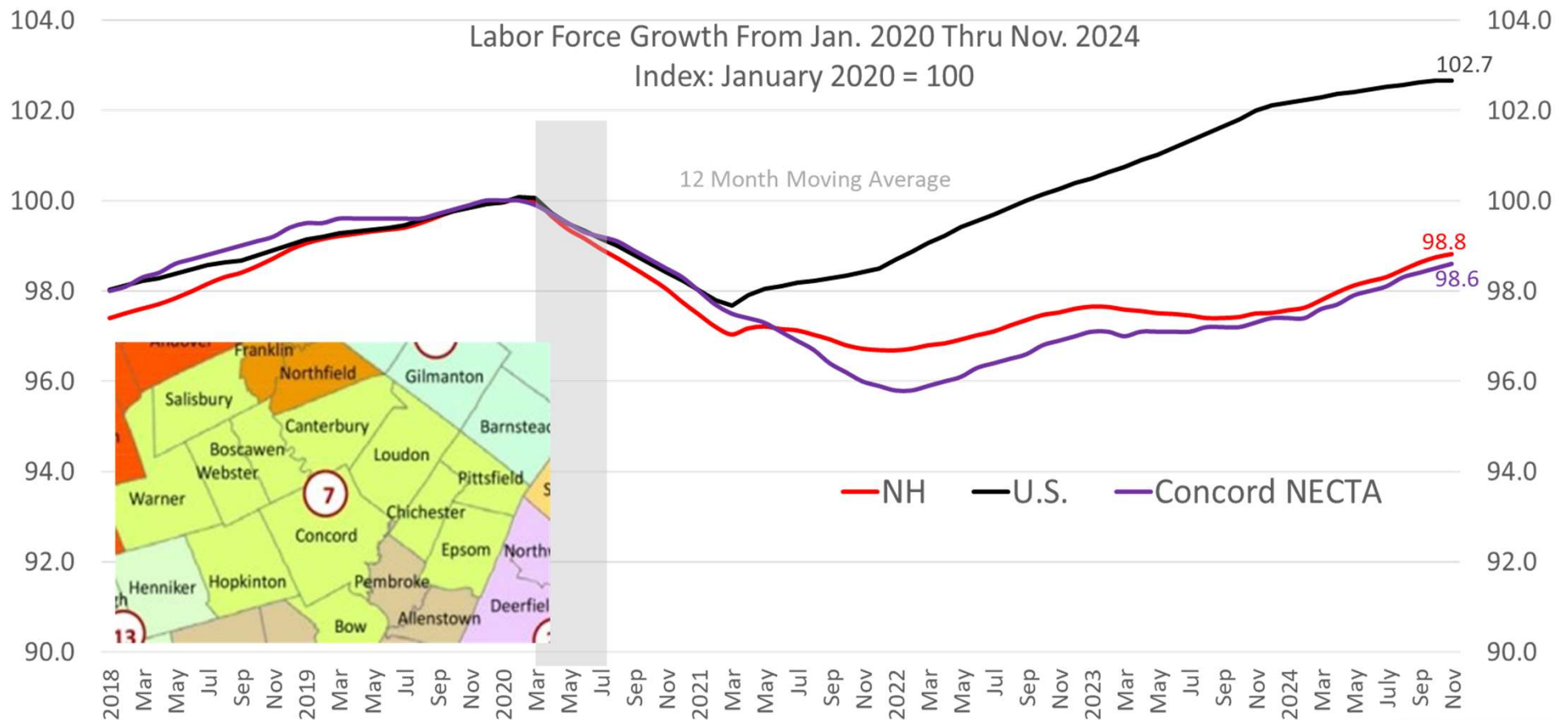
## Job Postings in the Concord NECTA Accelerated More in 2024 Than They Did in New Hampshire Overall, Both Have Cooled a Bit But Remain Solid



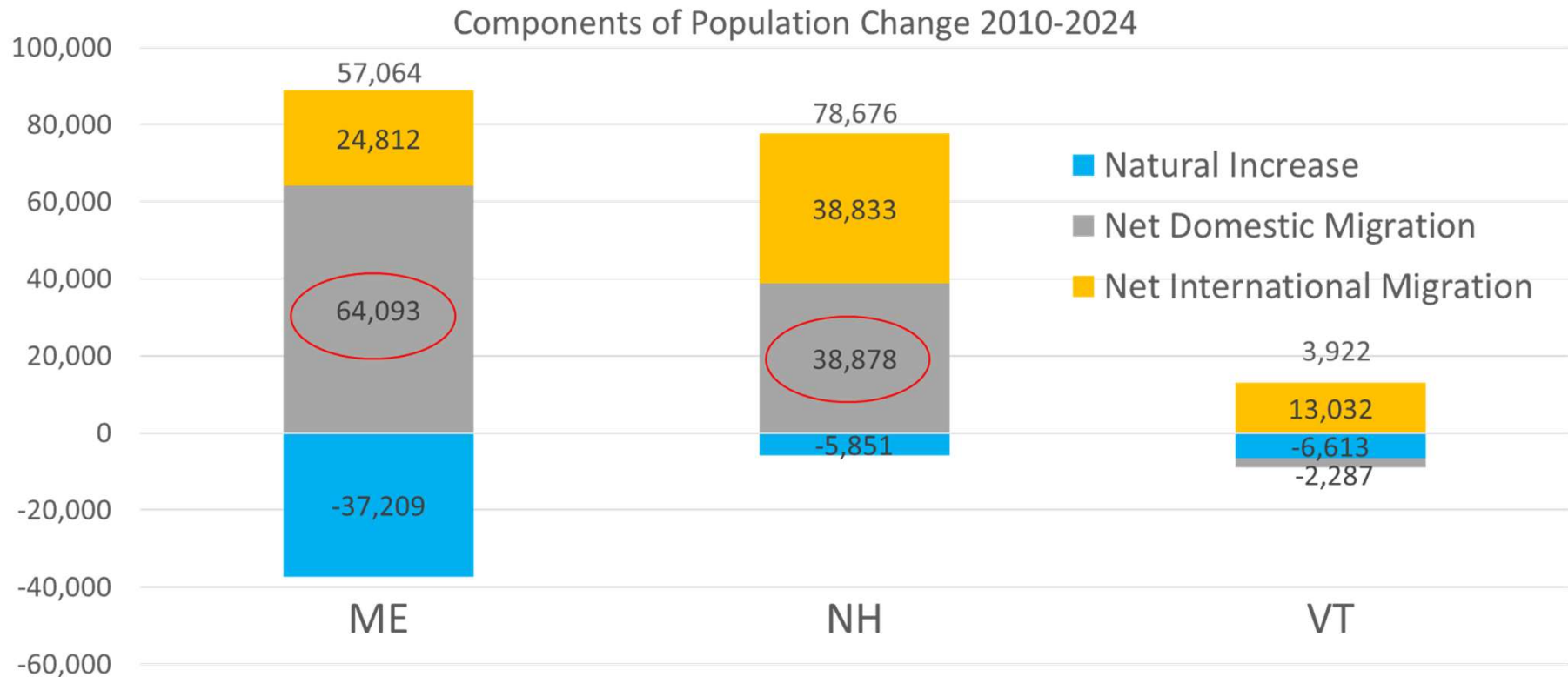
## New Claims for Unemployment in NH are Low by Historical Standards



# Demand for Labor Remains Solid But a Smaller Labor Force is Limiting the Job Growth (How are We Growing?)



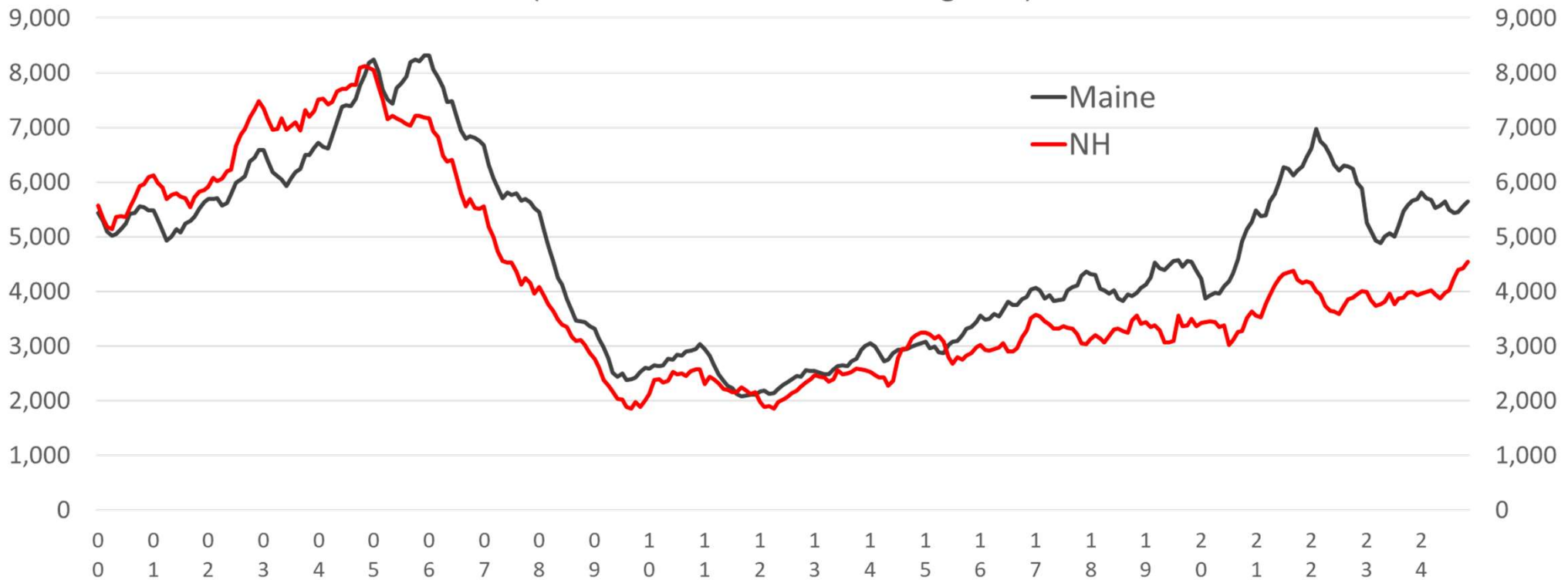
# Net Migration From Other States and Nations is Critical Key to New Hampshire's Population and Labor Force Growth



Source: U.S. Census Bureau, "Components of Population Change," ELMI

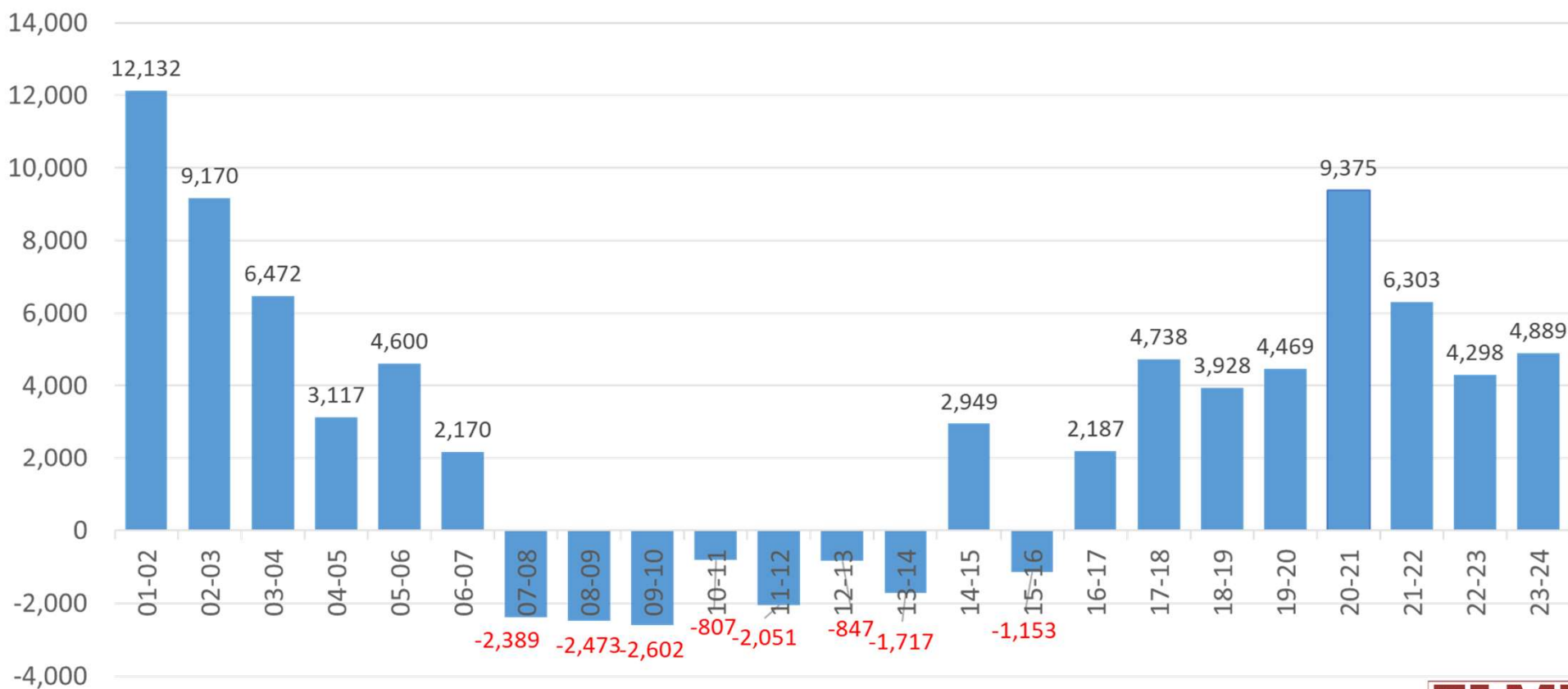
Housing Construction in Maine Has Supported Domestic (State-to-State) Migration, Not As Much in New Hampshire (But NH is on Track For the Most Housing Permits Since 2007)

New Private Housing Units Authorized by Building Permit  
(Annualized - 12 Month Rolling Sum)



## Increases in Teleworking and a Post-Pandemic Desire for Less Density Gave a Larger Boost to NH's Net State-to-State Migration and its Labor Force

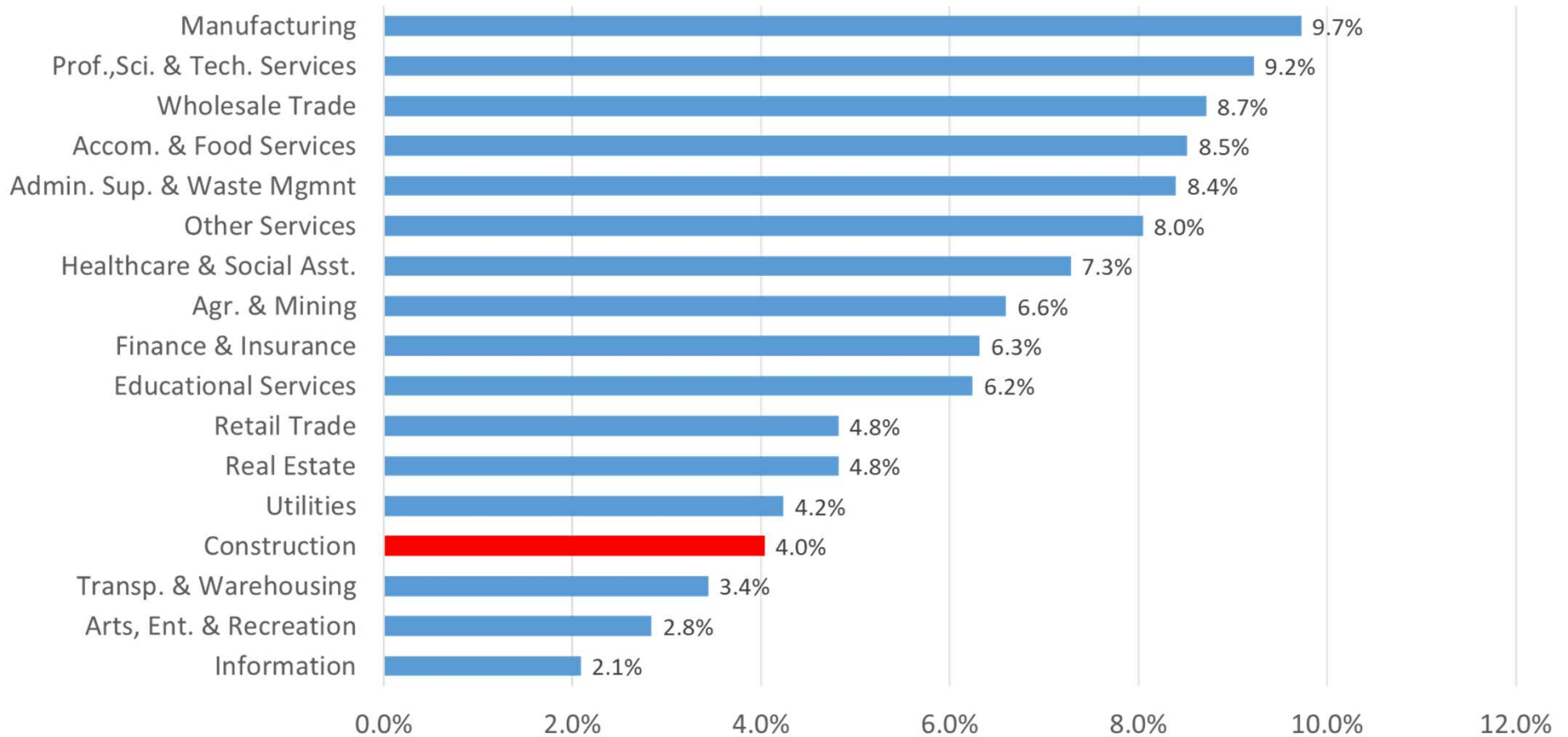
Net Domestic (State-to-State) Migration to NH



Source: U.S. Census Bureau, "Components of Population Change," ELMi

# Key Industries in New Hampshire Rely on Foreign-Born Workers

New Hampshire Foreign-Born Workers by Industry

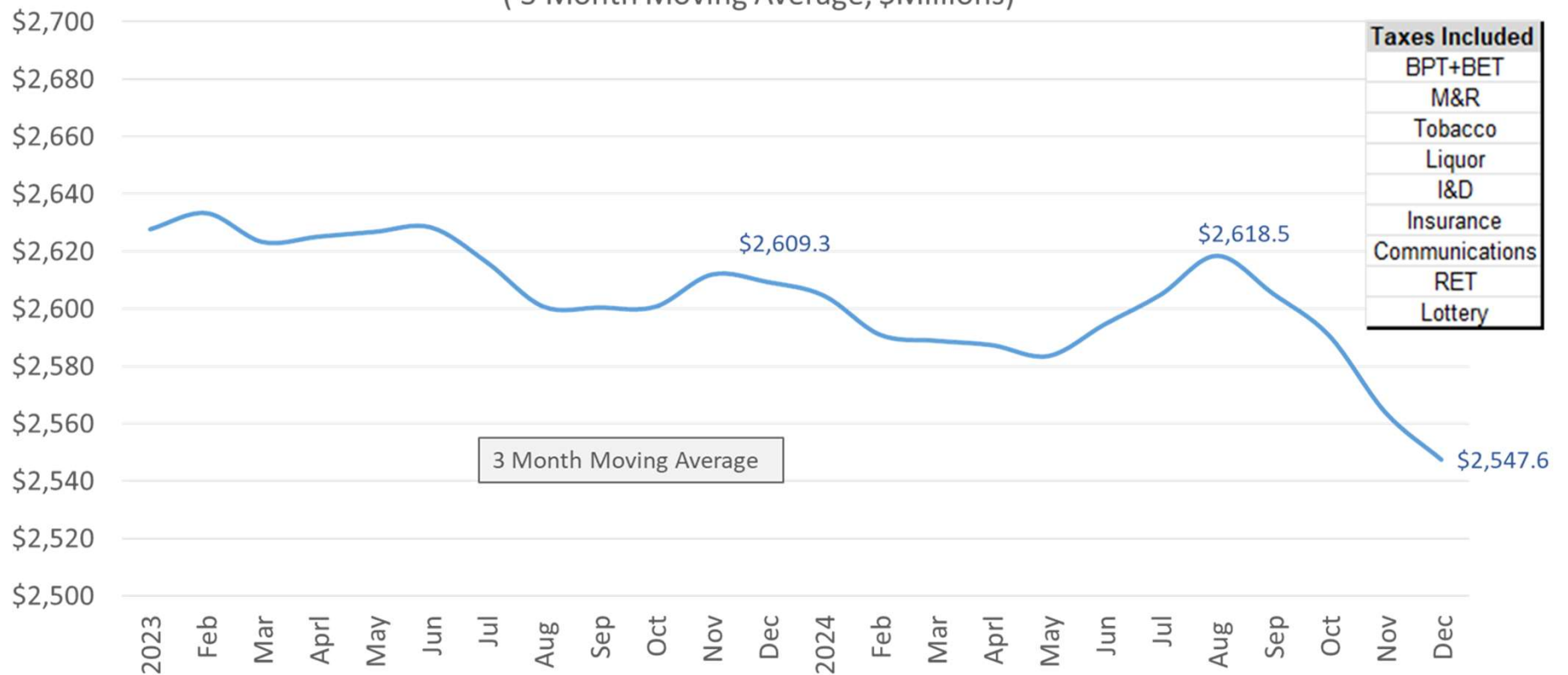


Source: ELMI analysis of 2018-2022 5-Year U.S. Census Bureau *American Community Survey* Data



## Growth in the Annualized (12 Month Sum) of Economically Sensitive Revenue Sources Suggests A Difficult FY2026-27 Budget Cycle

12 Month Rolling Sum of NH Revenues From 10 Economically Sensitive Revenue Sources  
( 3 Month Moving Average, \$Millions)

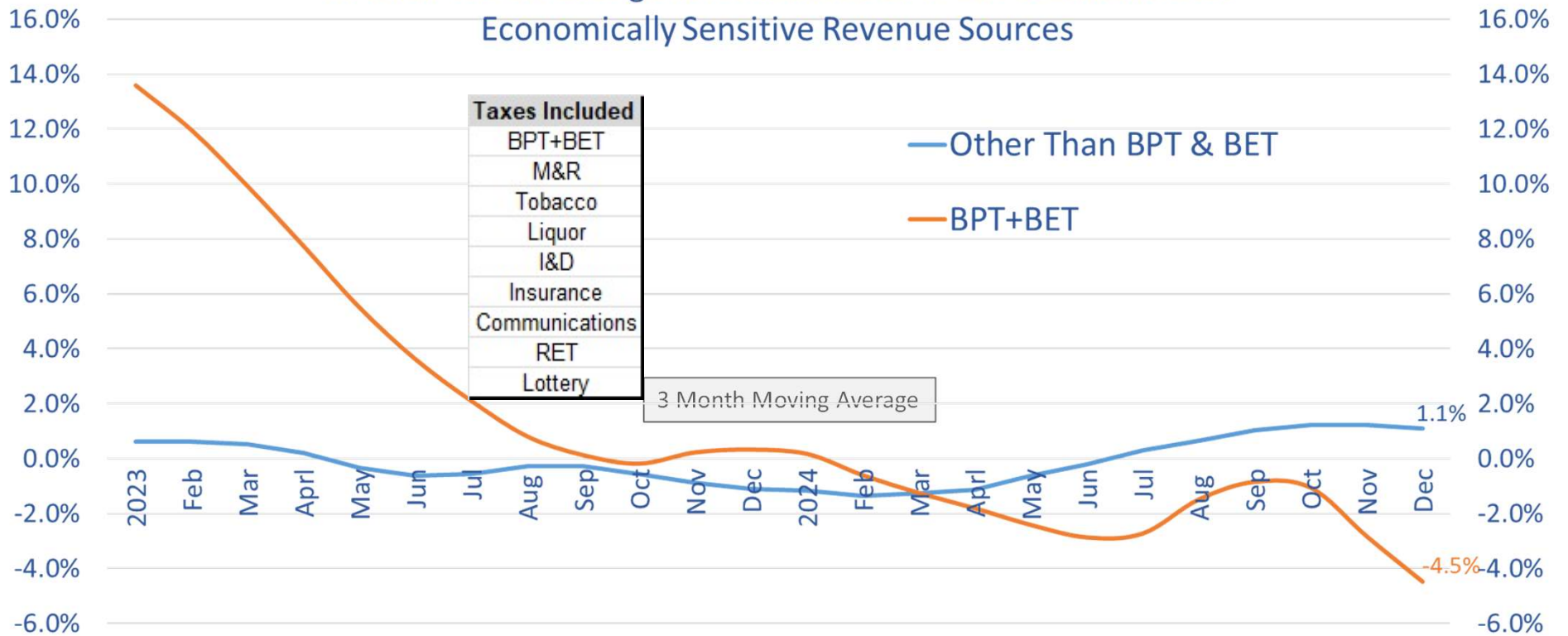


Taxes Included
BPT+BET
M&R
Tobacco
Liquor
I&D
Insurance
Communications
RET
Lottery

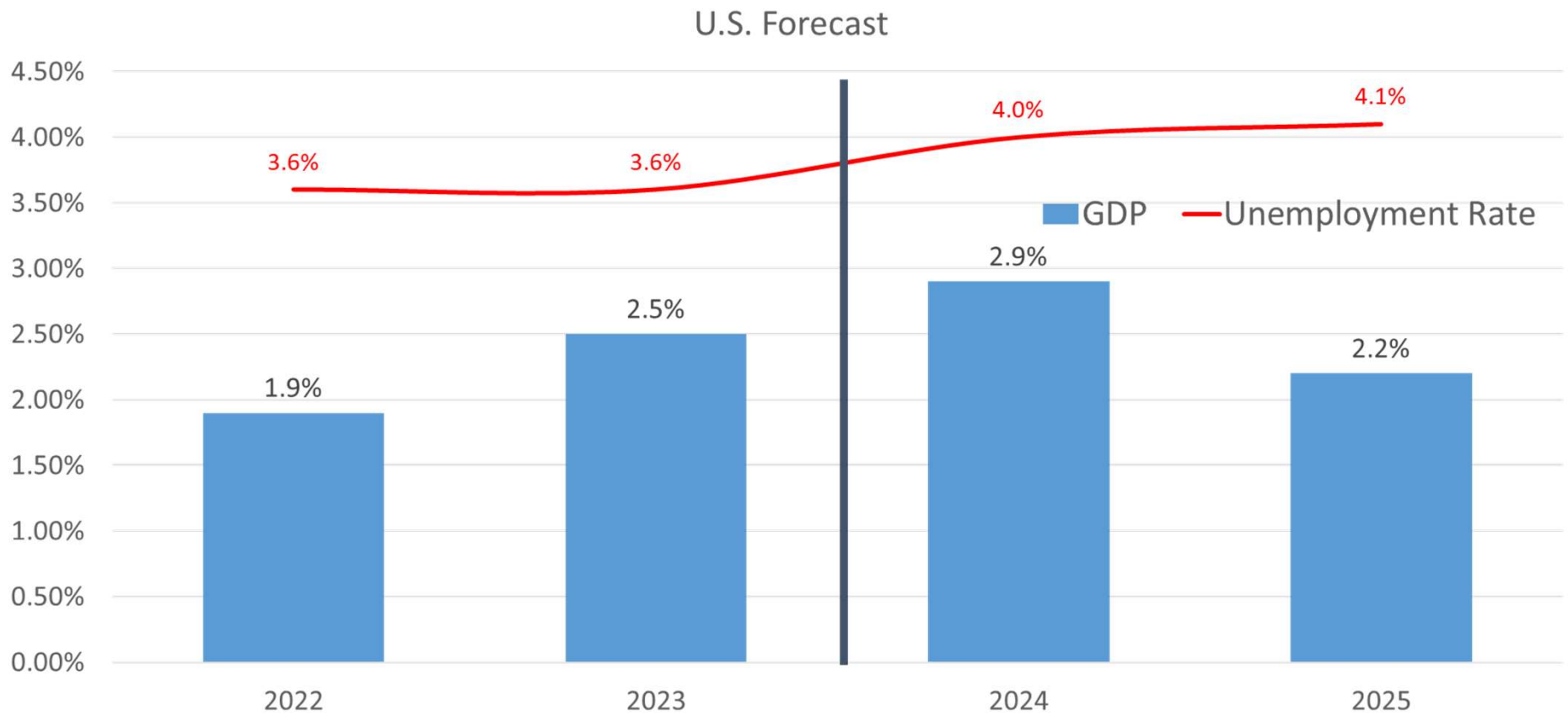


## Business Taxes (BPT+BET) Are Responsible for all of the Decline in State Economically Sensitive Revenues Over the Past 12 Months

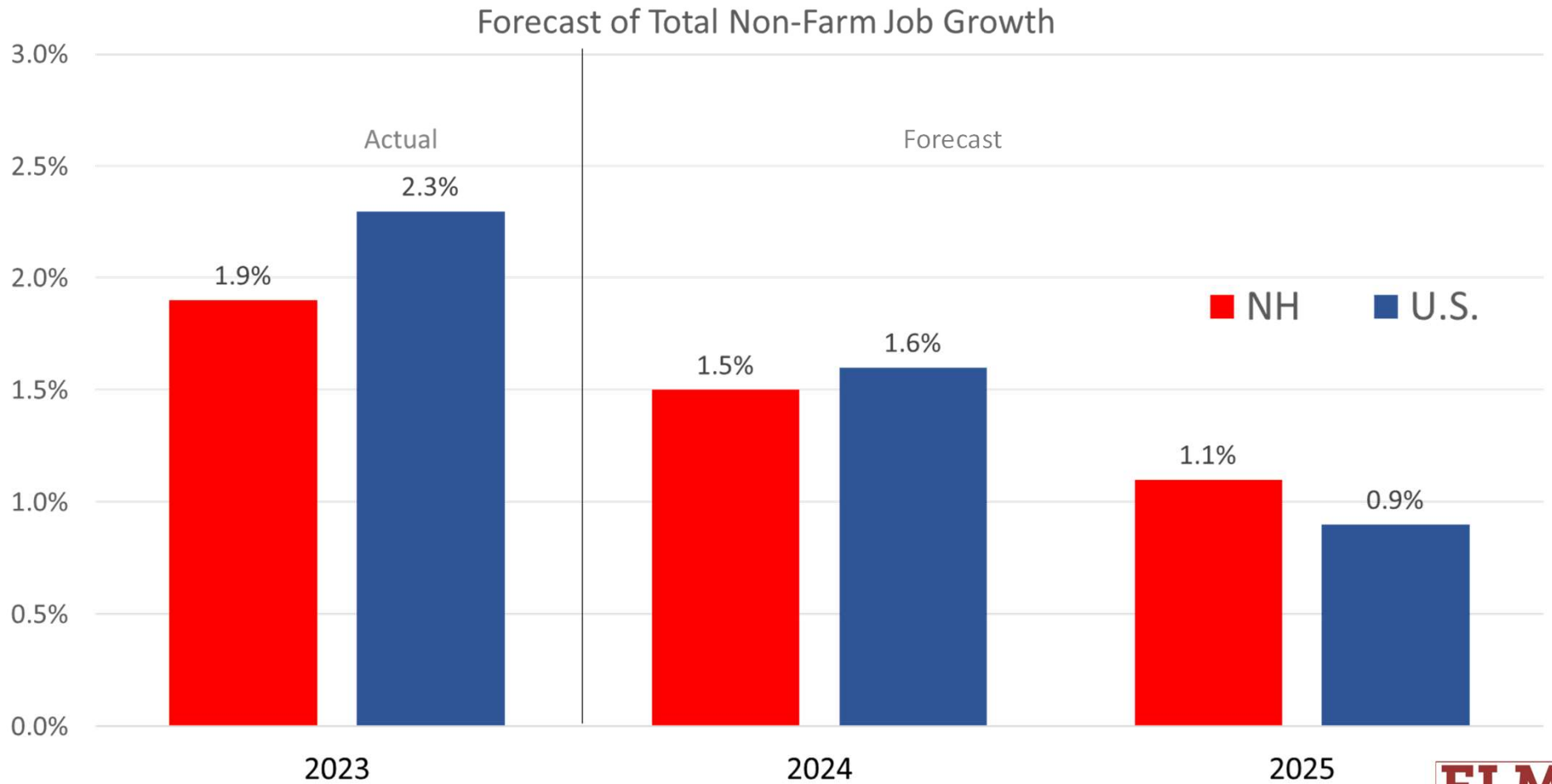
Yr.-Over-Yr. Pct. Change in Annualized BPT+BET & Seven Other Economically Sensitive Revenue Sources



## Growth Will Be Slower in 2025 but the Probability of Recession is Low



## Our Forecast is for Modestly Slower Job Growth Nationally But With NH Again Fastest in NE and Exceeding the U.S. Growth for the First Time Since 2022



## Some Risks to the Positive Outlook

- Higher Tariffs, Isolationism
- Reducing Immigration Could Tighten Already Limited Labor Supply
- Inflation Re-Kindles and Federal Reserve Keeps Interest Rates High
- U.S. China Tensions Worsen
- Oil Price Spikes
- Middle East Tensions Produce Major Conflict (or Other Major Geopolitical Conflicts)
- Fiscal Stalemate, Government Shutdown



Decreasing Risk



No Change



Increasing Risk



# THE ECONOMY, THE STATE BUDGET, AND FEDERAL POLICY IN 2025

PHIL SLETTEN, RESEARCH DIRECTOR

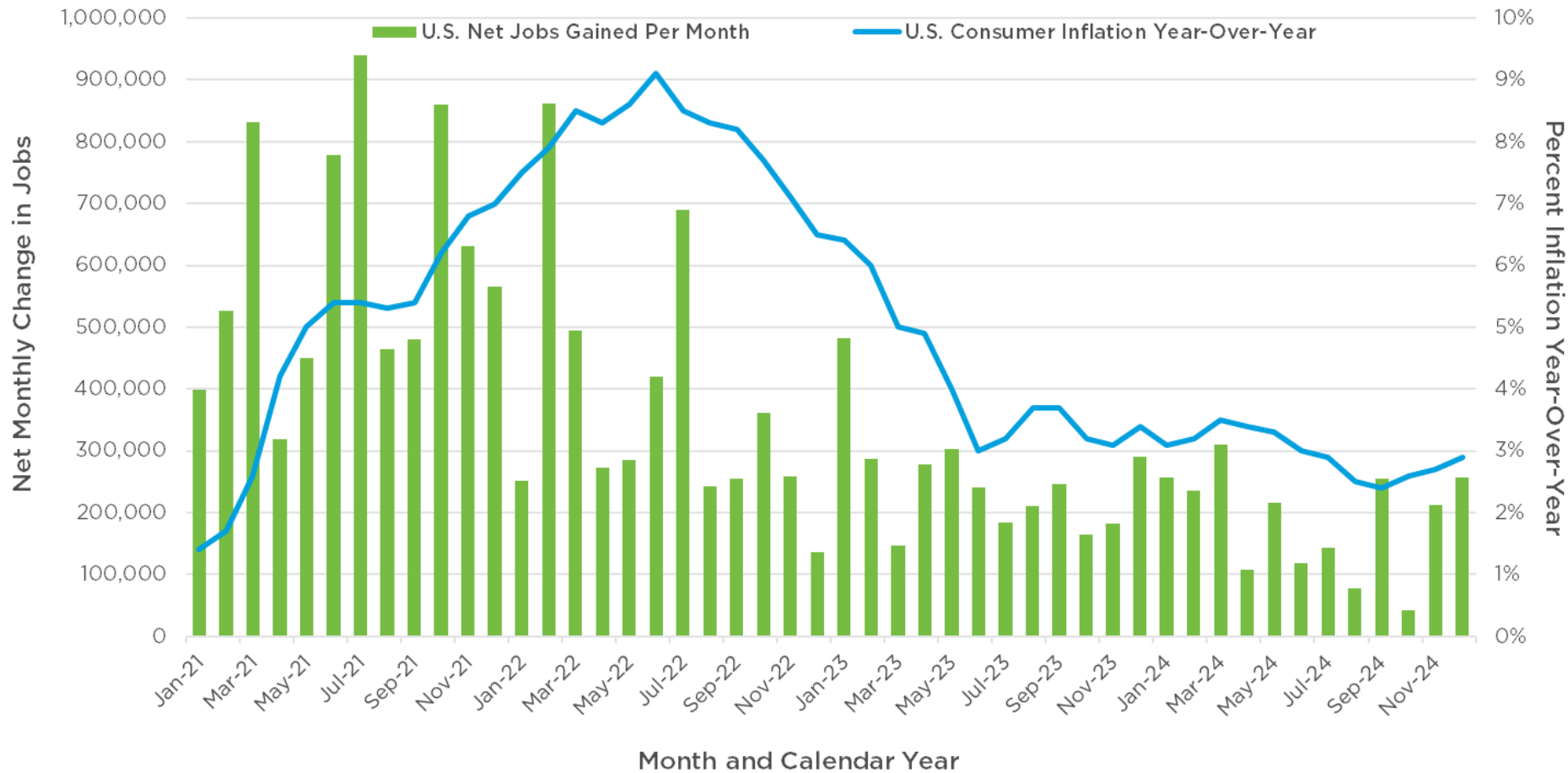
GREATER CONCORD CHAMBER OF COMMERCE  
ECONOMIC OUTLOOK FORUM

JANUARY 16, 2025

# THE ECONOMY AND HOUSEHOLD BUDGET CONSTRAINTS

# INFLATION HAS SLOWED, BUT STILL ELEVATED, WHILE JOB GROWTH HAS CONTINUED

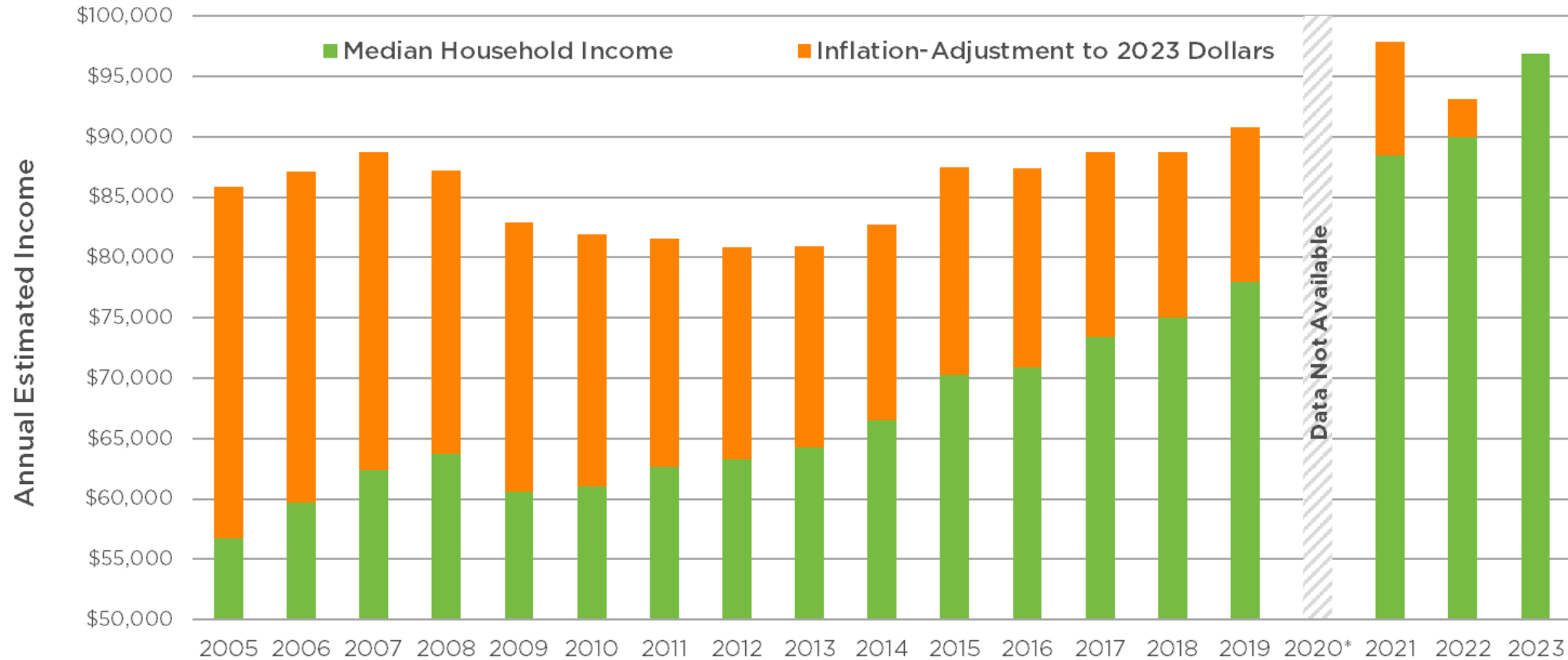
**INFLATION AND JOB GROWTH IN THE UNITED STATES**  
*Monthly Nonfarm Payroll Employment and the Consumer Price Index-Urban*



Sources: U.S. Bureau of Labor Statistics, Consumer Price Index-Urban, Current Employment Statistics, retrieved January 15, 2025

# NEW HAMPSHIRE MEDIAN HOUSEHOLD INCOME OUTPACED INFLATION IN 2023

## MEDIAN HOUSEHOLD INCOME IN NEW HAMPSHIRE



Note: Axis does not begin at zero.

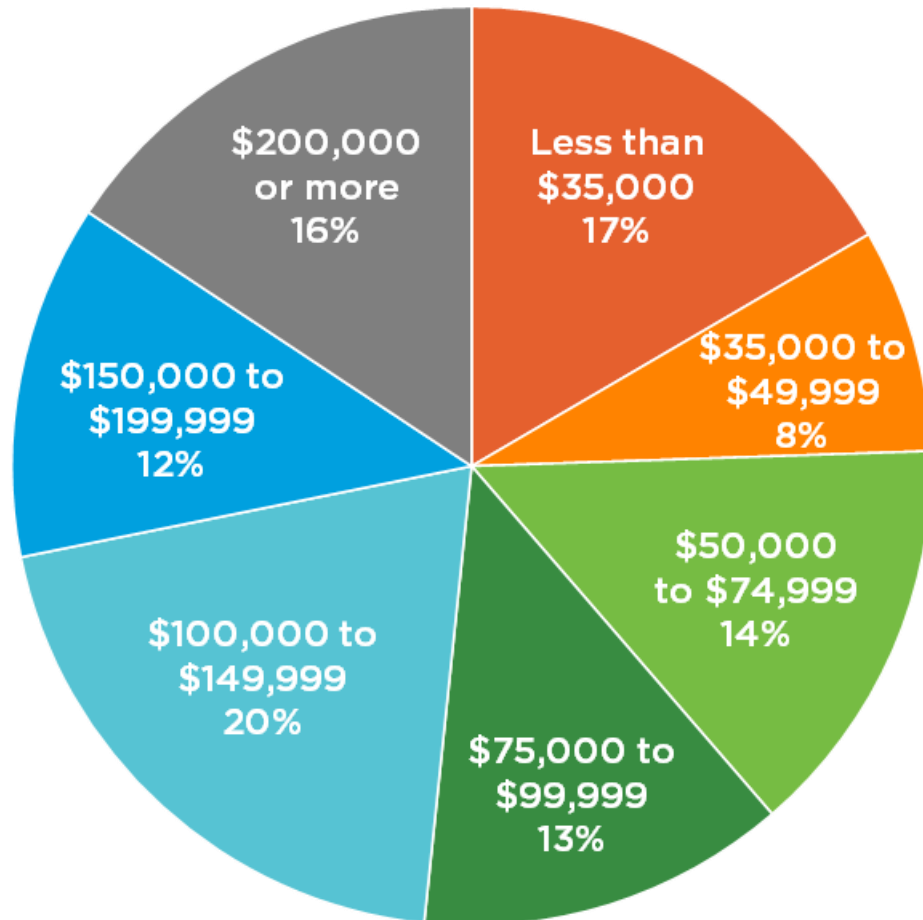
Year of Data Collection

\*Note: These data were not available for 2020 due to disruptions associated with the pandemic.  
Sources: U.S. Census Bureau, American Community Survey One-Year Estimates; U.S. Bureau of Labor Statistics, Consumer Price Index-Urban, Northeast



# DISTRIBUTION OF HOUSEHOLD INCOME

## NEW HAMPSHIRE HOUSEHOLDS BY INCOME GROUP, 2023



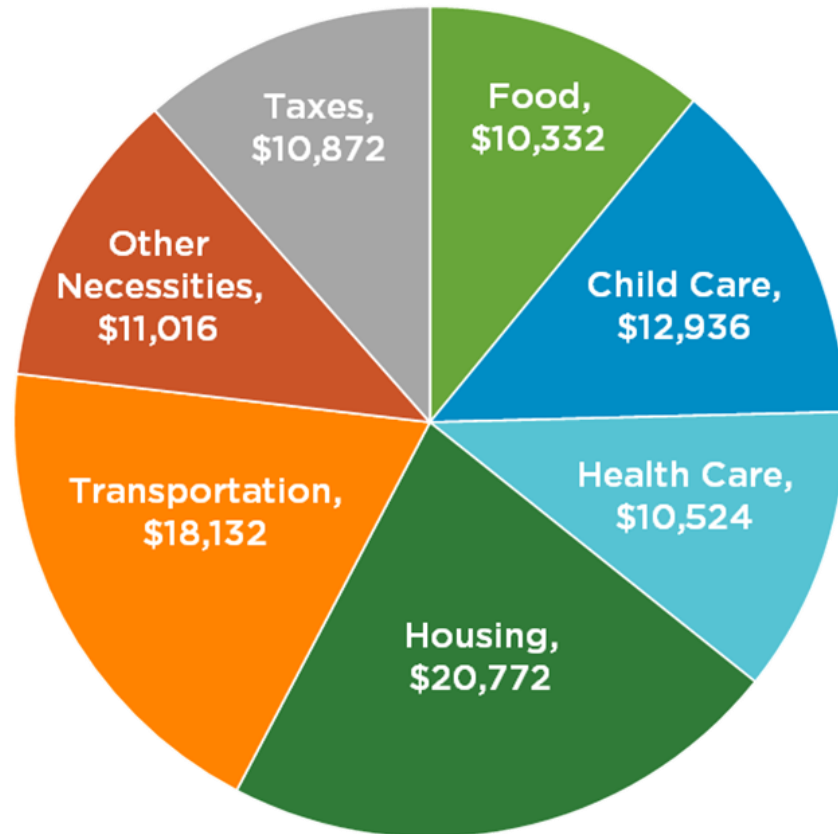
- Median income for all household sizes was about \$97,000, according to data collected during 2023
- Average New Hampshire household size was 2.39 people during 2023
- Almost 16 percent had incomes at or above \$200,000 in 2023
- About 1 in 4 New Hampshire households had incomes below \$50,000 in 2023 data
- About 11 percent had incomes below \$25,000 in 2023
- 2023 poverty thresholds were \$15,852 for a single person under 65, \$24,526 for a three-person household with one child
- About 98,000 Granite Staters (7.2 percent) were in poverty during 2023

Source: U.S. Census Bureau, American Community Survey, 2023 One-Year Data

For more information, see NHFPI's September 12, 2024 blog *New Hampshire's Median Household Income Increased in 2023, Poverty Remained Steady*.

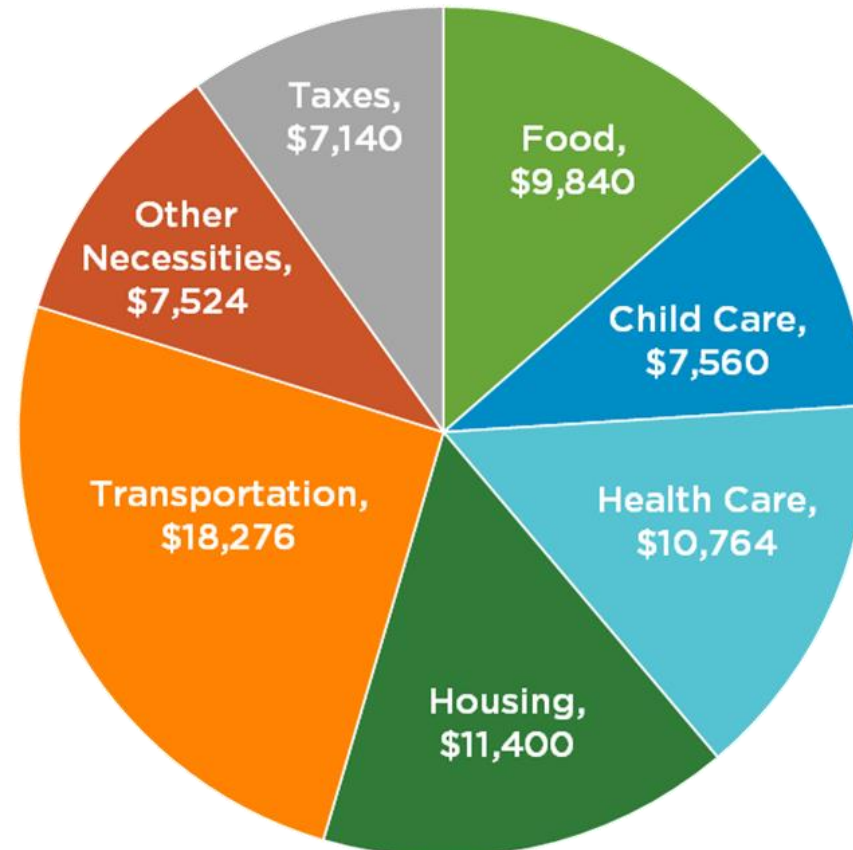
# ESTIMATES OF COSTS OF LIVING SHOW LEVELS MUCH HIGHER THAN POVERTY-LEVEL INCOMES

ECONOMIC POLICY INSTITUTE  
FAMILY BUDGET CALCULATOR  
TWO ADULTS, ONE CHILD: \$94,584  
*Rockingham County, New Hampshire, 2024*



Source: Economic Policy Institute, Family Budget Calculator, March 22, 2024

ECONOMIC POLICY INSTITUTE  
FAMILY BUDGET CALCULATOR  
TWO ADULTS, ONE CHILD: \$72,501  
*Coos County, New Hampshire, 2024*

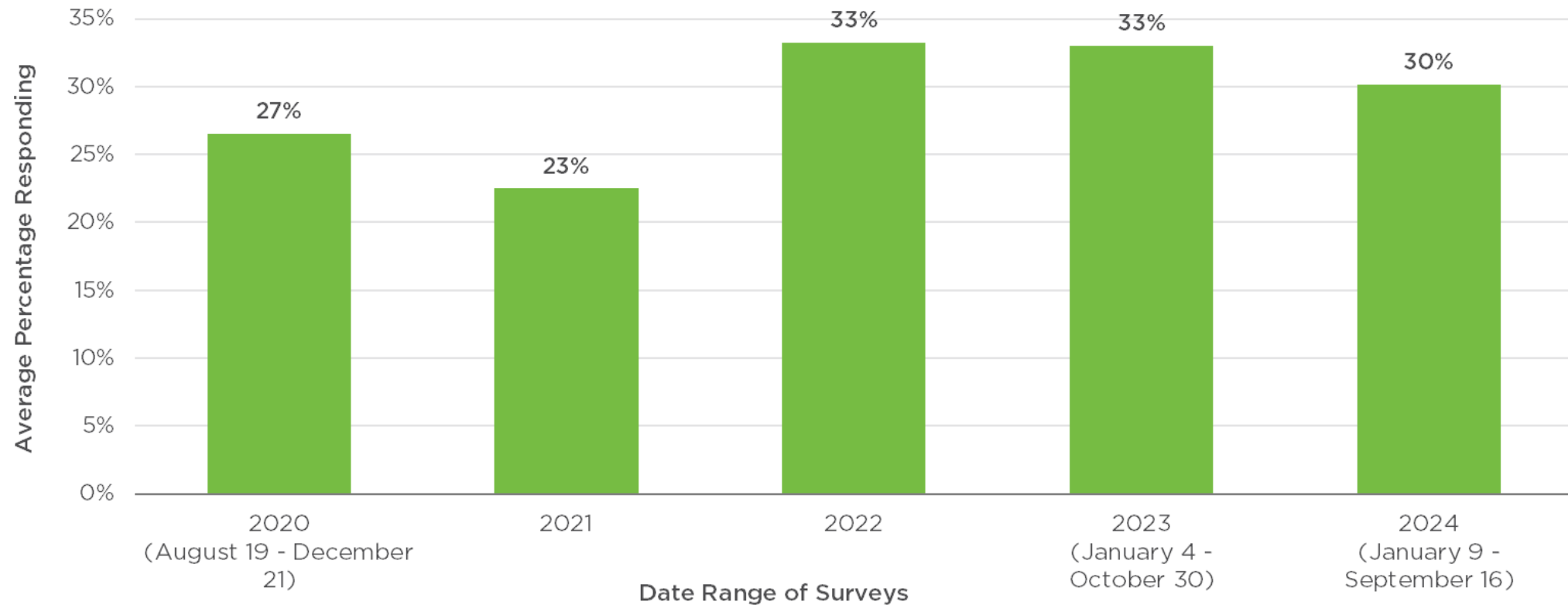


Source: Economic Policy Institute, Family Budget Calculator, March 22, 2024

# NEARLY ONE IN THREE NH ADULTS REPORT DIFFICULTY AFFORDING USUAL EXPENSES

## NEW HAMPSHIRE ADULTS REPORTING DIFFICULTY WITH USUAL EXPENSES

*Percentage Living in Households in Which It Has Been Somewhat or Very Difficult to Pay for Usual Household Expenses During the Last Seven Days*

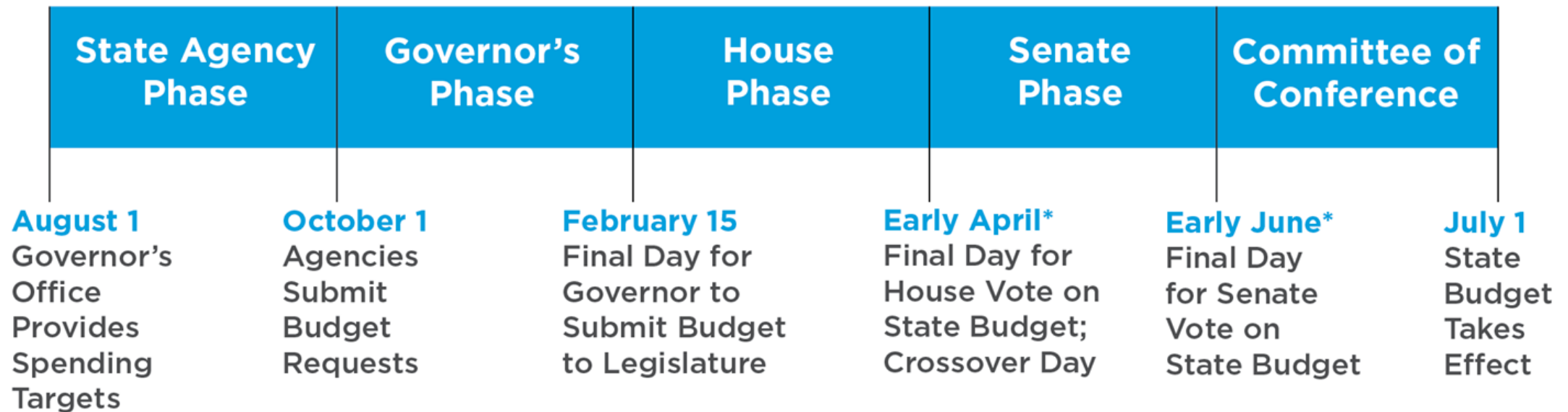


Source: U.S. Census Bureau, Household Pulse Survey, accessed October 2024

# THE NEXT STATE BUDGET AND FEDERAL FUNDS

# STATE BUDGET CREATED IN A YEARLONG PROCESS, TYPICALLY WITH FIVE PHASES

## State Budget Process Timeline

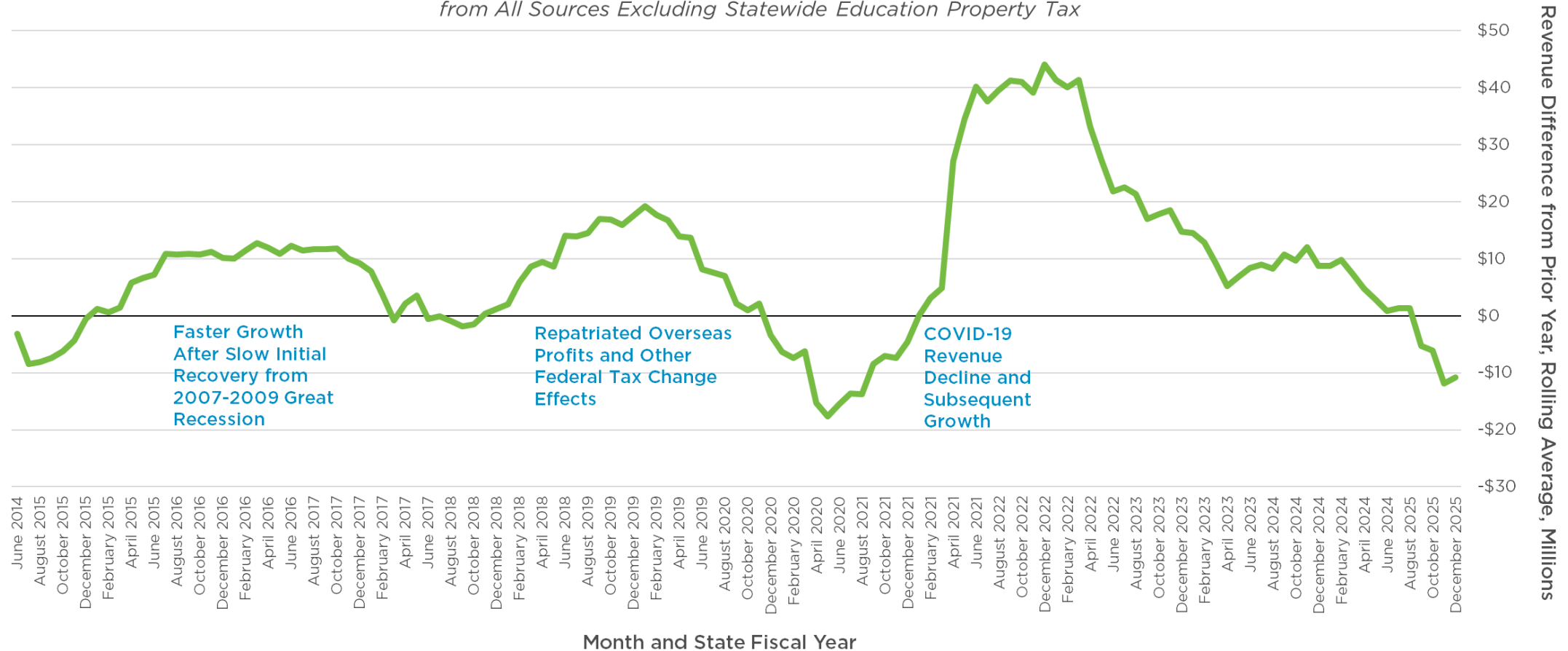


\*Dates set by legislative leadership each session; all other dates specified in statute.

# STATE REVENUES DECLINING DUE TO EXTERNAL FACTORS AND STATE CHOICES

## DIFFERENCES OVER TIME IN NEW HAMPSHIRE COMBINED GENERAL AND EDUCATION TRUST FUNDS MONTHLY CASH RECEIPTS

*Twelve-Month Rolling Averages of Monthly Cash Receipts to the General and Education Trust Funds Relative to Prior Year from All Sources Excluding Statewide Education Property Tax*



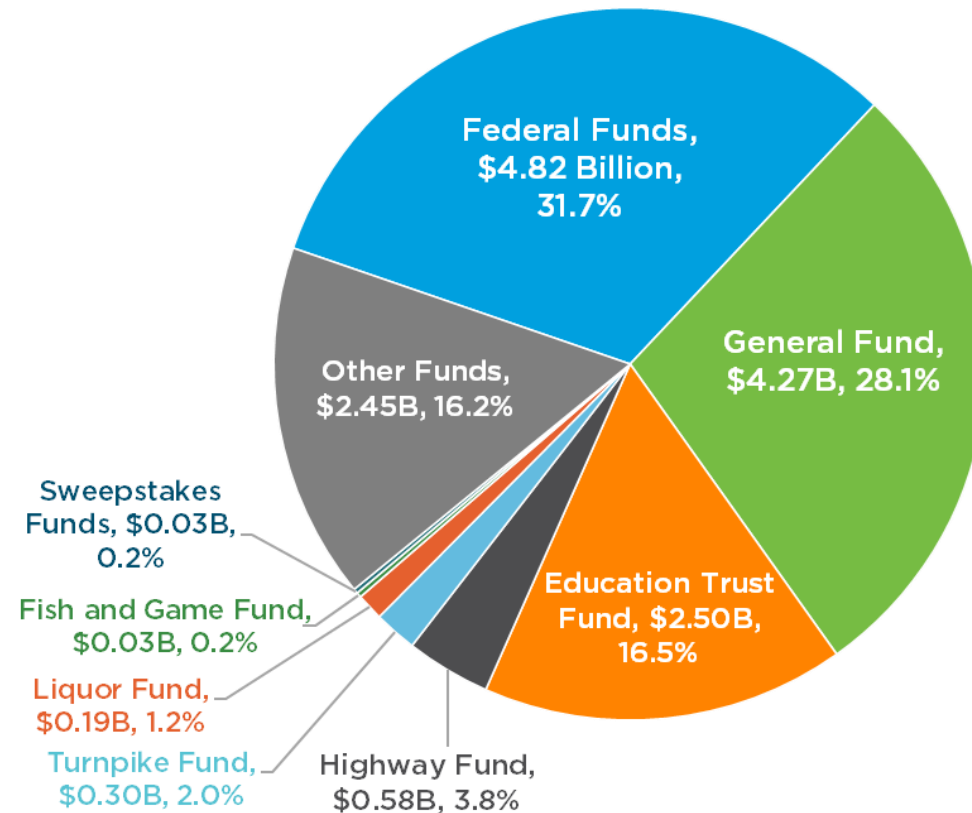
Note: Medicaid Enhancement Tax excluded from historical data. Statewide Education Property Tax excluded due to tax targeting a certain amount collected.  
Sources: New Hampshire Department of Administrative Services, Monthly Revenue Focus Reports

# THE LOOMING QUESTIONS FOR THE NEXT STATE BUDGET

- Youth Development Center settlements: paid \$102 million, \$469.6 million pending as of September 2024, 206 of 676 total filed claims so far, claims period open until June 2025; \$160 million to settle claims appropriated previously, outlays capped at \$75 million per year
- Court cases associated with the Youth Development Center and children in the care of the State could generate substantial liabilities
- Decisions related to education funding from the State Supreme Court; second-largest State expenditure, small changes can lead to large funding commitments
- Construction of a new State prison for men, potentially \$500-\$600 million, annual bond payments may be substantial
- Changes to federal funding to the State for operations, with about one in three dollars to fund State services coming from the federal government

# FEDERAL TRANSFERS FUND NEARLY A THIRD OF STATE BUDGET-FUNDED SERVICES

THE STATE BUDGET FOR  
FISCAL YEARS 2024 AND 2025, BY FUND  
*Includes Operating Budget and Trailer Bill Appropriations*



Sources: New Hampshire Office of Legislative Budget Assistant, Senate Finance Committee Surplus Statements, June 2023; 2023-2054s; 2023-2092s; 2023-2171s; 2023-2139s



# KEY FEDERAL PROGRAMS SUPPORT NEW HAMPSHIRE SERVICES

## Medicaid

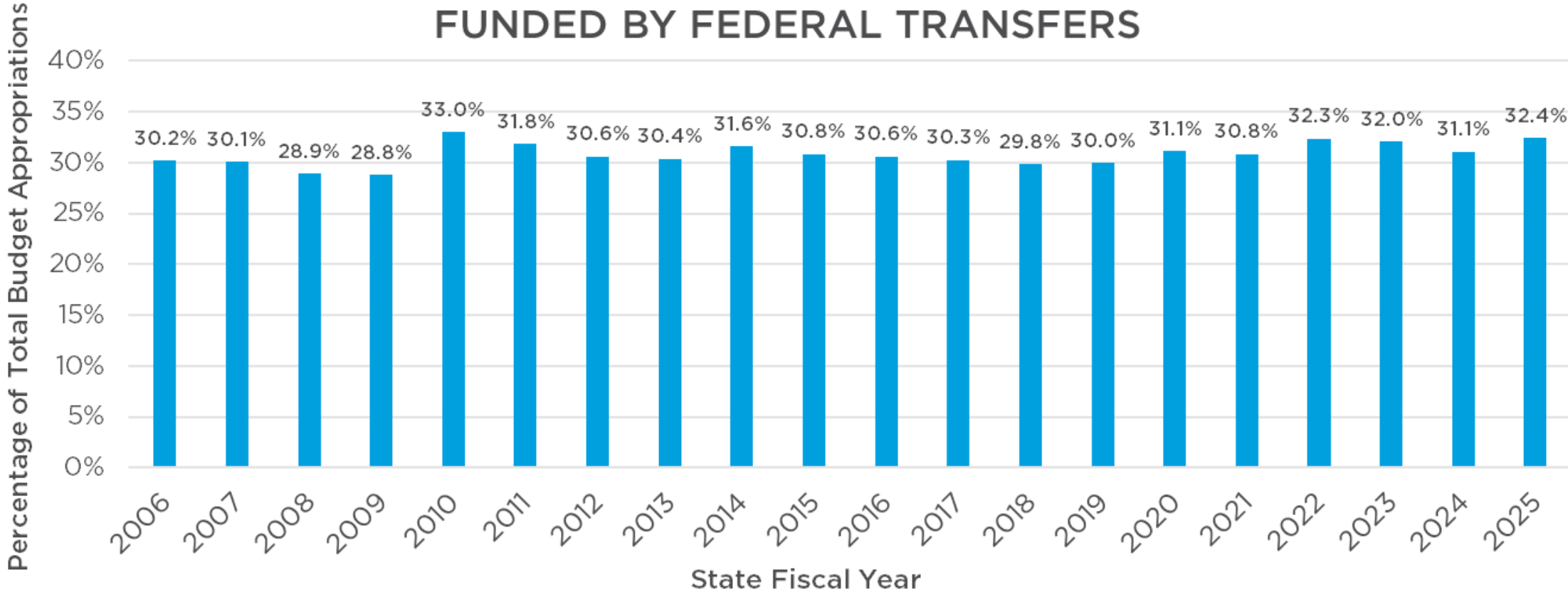
- Approximately \$2.464 billion expenditure in SFY 2024 from all sources, with \$1.393 billion (56.5 percent) of that total coming from the federal government, including federal “waiver” programs
- About \$427.45 million (30.7 percent) of those federal funds supported Granite Advantage (“Medicaid expansion”), which has a 90 percent federal match, required by State law for the program to continue
- About 184,000 Granite Staters accessed health care through the program at the end of November 2024

## Other Program Areas (Not a Comprehensive List)

- Federal transportation aid, through a wide variety of programs
- Education aid – portion of special education aid, school meals, professional development
- Water pollution and infrastructure funds, clean and drinking water programs
- Supplemental Nutrition Assistance Program (SNAP)
- Women, Infants, and Children Nutrition Program (WIC)
- Temporary Assistance for Needy Families (TANF)
- Low Income Home Energy Assistance Program (State Fuel Assistance Program)
- Veterans’ care aid

# RELIANCE ON FEDERAL FUNDS IS NOT NEW OR UNIQUE TO NEW HAMPSHIRE'S BUDGET

## PERCENTAGE OF THE NEW HAMPSHIRE STATE BUDGET FUNDED BY FEDERAL TRANSFERS



Note: Includes Trailer Bill and Back of Budget adjustments as represented in Surplus Statements, and Back of Budget reductions only for State Fiscal Years 2006 to 2009. Appropriations of surplus from prior budget biennium included in the first year of each new State Budget, not including Rainy Day Fund appropriations.

Source: New Hampshire Office of Legislative Budget Assistant

# FEDERAL FUNDS CAN STIMULATE ECONOMY

## 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	
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
Defense Spending	\$1.24
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
Nonrefundable Lump Sum Tax Rebate	\$0.93
Personal Income Tax Rate	\$0.88
Housing Tax Credit	\$0.80
Student Loan Debt Forgiveness	\$0.65
Dividend and Capital Gain Tax Rate Reduction	\$0.38
Corporate Tax Rate Reduction	\$0.32
Accelerated Depreciation for Business Taxes	\$0.27
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

# KEY TAKEAWAYS

- The New Hampshire and national economies have been resilient despite an uneven recovery from the COVID-19 recession
- About 98,000 Granite Staters have poverty-level incomes, and one quarter of households had incomes below \$50,000 in 2023
- Nearly one in three adults reported difficulty affording usual household expenses, and key cost increases, particularly in housing and early care and education, limit household ability to engage in the economy otherwise
- State revenues are declining overall due to both external factors, such as corporate profits and interest rates, and policy choices that have reduced State revenue
- Key potential expenses could impact State Budget decision-making and limit resources available for other services
- Federal funds key to supporting services within the State Budget with significant federal policy choices likely in 2025
- Economy and State revenues subject to considerable uncertainty in next two years due to wide variety of potential global and national economic and policy outcomes

# ADDITIONAL NHFPI RESOURCES

- Blog: State Revenue Deficit Widens After December Tax Receipts Fall Short – January 10, 2025: <https://nhfpi.org/blog/state-revenue-deficit-widens-after-december-tax-receipts-fall-short/>
- Blog: Federal Policymakers Will Consider Tax Changes Benefitting Higher-Income Granite Staters in 2025 – September 26, 2024: <https://nhfpi.org/blog/federal-policymakers-will-consider-tax-changes-benefitting-higher-income-granite-staters-in-2025>
- Column: Federal Policy Choices in 2025 Could Impact State and Local Finances – October 21, 2024: <https://nhfpi.org/columns/federal-policy-choices-in-2025-could-impact-state-and-local-finances-new-hampshire-bulletin/>
- Resource Pages: Economy, Budget, <https://nhfpi.org/topic/economy/> and <https://nhfpi.org/topic/budget/>
- Publication: New Hampshire Policy Points, Second Edition – December 6, 2024: <https://nhfpi.org/nhpp/>