



Economic Trends in New York State

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Recent Trends

- New York has regained 183,600 of the private sector jobs lost during the recession (58 percent), but the government sector has lost 29,300 jobs over the past two years.
- The percentage of all jobs regained in New York (46 percent) ranked 16th among the 50 states, outpacing the national average of 34 percent.
- Initial unemployment insurance claims for the four-week period ending December 31, 2011, averaged 27,362, or 9.7 percent less than the same period in 2010.
- The unemployment rate was 8 percent in December 2011, unchanged from the prior month. While this is less than the national rate (8.5 percent), it is only 0.9 percentage points below the State's recessionary peak.
- Consumer confidence has yet to rebound on a sustained basis, but it has shown some improvement in recent months.
- New York City (which accounts for 43 percent of the State's job gains since December 2009) regained 52 percent of the jobs it lost in the recession. The City's suburbs, however, have not fared as well.
- The suburban counties in the Lower Hudson Valley have regained 14 percent of the jobs lost during the recession, while those in Long Island have lost an additional 2,500 jobs (0.2 percent).
- The Rochester metropolitan area regained 98 percent of the jobs lost in the recession, but most upstate metropolitan areas have experienced weak job growth.
- New York's per capita personal debt rose to \$49,700 in the third quarter of 2011, reversing a declining trend since 2008. Personal debt as a share of income peaked at 110 percent in 2009, and has remained high, at 100 percent, in 2011.
- The latest Empire State Manufacturing Survey indicates that manufacturing activity has improved in recent months; in January 2012, it was at its highest level in the past nine months.

In the past two years, New York State has regained 46 percent of the jobs lost during the recession, but not all parts of the State have benefited equally. While the rate of job growth over the past two years has outpaced the rate in the nation overall, New York has lost jobs in recent months while the nation has added jobs.

Unemployment insurance claims in New York have fallen over the past year, and while the unemployment rate has dropped from its peak, it remains high at 8 percent. Consumer confidence has also improved, but consumer spending, a traditional economic driver, has been weak.

New York's fragile economic recovery could be derailed by a number of developments. The European sovereign debt crisis could affect the banking and tourism sectors, which are important to the State's economy. A spike in oil prices would consume a greater share of consumers' disposable income, leaving less available for spending that ultimately creates jobs.

Disposable incomes will be reduced unless the federal government extends the payroll tax cut for a full year and reauthorizes a recently expired tax benefit for transit commuters. Federal budget cuts could also slow the State's recovery.

The securities industry, the State's economic engine, lost \$3 billion in the third quarter of 2011, and most large firms reported weak earnings for the fourth quarter. The industry has resumed downsizing in response to reduced profitability (4,300 jobs have been lost since April 2011), and cash bonuses will likely be smaller than last year.

After a strong first half of 2011, job growth in New York was markedly weaker during the second half of the year, raising concerns about the pace of the recovery in 2012. Recent changes in New York's personal income tax rates will reduce taxes and could provide some needed economic stimulus. Similarly, the Governor has outlined an ambitious economic development agenda that could create thousands of new jobs.

Gross State Product

New York State's economic growth is influenced by national economic trends. While the national economy rallied in the fourth quarter of 2011, IHS Global Insight forecasts that growth in the Gross Domestic Product will average only 2 percent during 2012, as consumer and business spending weaken and government spending contracts.

New York's Gross State Product (GSP) is also forecast to weaken in 2012, growing by only 1.7 percent. Construction is forecast to contract, and the rate of growth is expected to slow sharply in finance (which accounts for one-third of the State's GSP), business services, education, and health services.

Manufacturing Activity

The Empire State Manufacturing Survey (conducted by the Federal Reserve) examines business conditions at a sample of manufacturers across New York State. The current survey indicates that economic activity has improved in recent months; in January 2012, it was at its highest level in the past nine months. The survey found improvements in the level of new orders, shipments, employment, number of hours employees worked, and prices. Despite the year-end improvement, overall conditions were still below levels experienced through most of 2010 and early 2011.

Consumer Confidence

Consumer confidence looked to be rebounding in early 2011, but it quickly retreated to levels last seen in early 2009. In the final months of 2011, consumer confidence improved sharply, but it still remained far below prerecession levels.

Retail Sales

State sales tax collections rose by 4.5 percent in 2011.¹ New York City, which accounted for 43 percent of statewide sales tax collections, had strong growth driven by a vibrant tourism sector. Other regions with tourism industries, such as the Finger Lakes and the Adirondacks, also had strong growth in State sales tax revenue. Growth was weakest in the Lower Hudson Valley and Long Island.

¹ After adjusting for changes in the clothing exemption.

Real Estate

Home values across New York fell by about 20 percent between 2006 and 2009, according to the New York State Association of Realtors. The statewide median sales price rebounded by 10 percent in 2010, but during the first 11 months of 2011, it rose by only 1.2 percent compared to the same period one year earlier, and the number of sales fell by 4.6 percent. In general, the residential market showed improvement in most upstate communities in 2011, but weakened in New York City's suburbs. For example, sales prices declined by 2.4 percent in Nassau County and 4.5 percent in Suffolk County, while they rose by 2.8 percent in Broome County and 11 percent in Madison County. Residential markets improved in Manhattan, Brooklyn and Queens, and the commercial market strengthened in Manhattan.

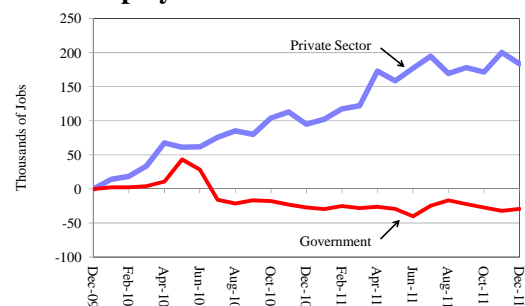
Employment

As of December 2011, New York had regained 183,600 (58 percent) of the private sector jobs lost during the recession (see Figure 1), but most of those job gains occurred early in the recovery. Job growth was weak in the second half of 2011, with the State losing 11,200 private sector jobs since July 2011.

Over the past two years, the government sector has shed 29,300 jobs (1.9 percent) in response to fiscal pressures brought on by the recession, as well as the loss of federal stimulus aid. More than two-thirds of the job losses have been in local governments across the State.

Altogether, the State has regained 154,300 of the 333,400 jobs that were lost in the recession, or 46 percent. New York ranked 16th among the 50 states in jobs regained, performing well above the national average of 34 percent.

Figure 1
Cumulative Change in New York State
Employment Since December 2009



Sources: NYS Department of Labor; OSC analysis

Job Sectors

More than two-thirds of the jobs lost in New York during the recession were in three sectors (trade, transportation and utilities; professional and business services; and manufacturing), but the jobs created during the recovery have been concentrated in business services, education, health services and tourism. The average salaries of the jobs created in the past two years is more than 40 percent lower than the average salaries of the jobs lost during the recession.

The education and health services sector is the only sector that added jobs during the recession and has continued to expand during the recovery. The leisure and hospitality sector is the only sector to regain all the jobs lost during the recession (see Figure 2). Some sectors, such as government and manufacturing, have continued to shed jobs during the recovery.

Figure 2
Employment Changes by Sector in New York State
(Thousands of Jobs)

	Jul. 2008 - Dec. 2009 Change	Dec. 2009 - Dec. 2011 Change	Net Change	Net Percent Change
Education & Health Services	50.8	70.9	121.7	7.5%
Leisure & Hospitality	-1.8	36.8	35.0	4.9%
Other Services	-4.2	-0.3	-4.5	-1.2%
Professional & Business Services	-79.2	68.4	-10.8	-0.9%
Information	-16.3	-4.7	-21.0	-7.8%
Financial Activities	-58.2	13.0	-45.2	-6.3%
Government	-17.5	-29.3	-46.8	-3.1%
Trade, Transportation & Utilities	-79.9	21.5	-58.4	-3.8%
Construction	-52.0	-8.8	-60.8	-16.8%
Manufacturing	-75.1	-9.5	-84.6	-15.8%
Total	-333.4	154.3	-179.1	-2.0%

Source: NYS Department of Labor; OSC analysis

Regional Employment

The economic recovery has been uneven across the State. While total employment has increased since December 2009 in most metropolitan areas, the share of jobs recovered has exceeded the statewide average in only three areas (see Figure 3). More recently, growth in most areas slowed in the second half of 2011 compared with the first half of the year.

New York City, which has accounted for the bulk of the State's net job gains since December 2009, has regained 52 percent of the jobs it lost in the recession. Most of the City's jobs gains have been in business services, education, health services and tourism. The securities industry, which added 9,600 jobs between January 2010 and April 2011, has lost 4,300 jobs since then. A number of large securities firms have announced that cash bonuses will be much smaller than last year.

Growth in New York City's suburbs has been much slower than in the City itself. The suburban counties in the Lower Hudson Valley (Putnam, Rockland and Westchester) have regained only 13.8 percent of the jobs lost during the recession. Gains in education, health services and tourism have been partially offset by sizable losses in government, construction and manufacturing.

Long Island has lost an additional 2,500 jobs (0.2 percent) since the end of the recession. Large losses in government, construction and manufacturing have been partly offset by gains in business services, education and health services.

Job growth in the Mid-Hudson Valley is weak, with gains in education, health services and business services partly offset by losses in government, manufacturing and construction. Albany, Binghamton and Ithaca continue to experience job losses. In Albany, most of the losses have been in government; in Ithaca, job losses were concentrated in education and health services.

Figure 3
Employment Changes by Metropolitan Area
(Thousands of Jobs)

	Jul. 2008 - Dec. 2009 Change	Dec. 2009 - Dec. 2011 Change	Share Recovered
Rochester	-18.5	18.1	98.1%
Glens Falls	-2.6	1.4	54.6%
New York City	-128.0	66.1	51.6%
New York State	-333.4	154.3	46.3%
Kingston	-2.3	0.9	41.6%
Utica-Rome	-3.1	1.2	38.0%
Syracuse	-13.3	3.8	28.9%
Buffalo	-19.3	2.7	14.2%
Lower Hudson Valley	-28.8	4.0	13.8%
Mid-Hudson Valley	-7.8	1.0	12.4%
Long Island	-50.0	-2.5	NA
Albany	-15.0	-1.7	NA
Binghamton	-5.8	-0.7	NA
Ithaca	-0.3	-1.0	NA

Note: Data has been seasonally adjusted by OSC.

Sources: NYS Department of Labor; OSC analysis

Among upstate cities that are adding jobs, Syracuse is experiencing strong gains in business services, but is still contracting in manufacturing and most other sectors. In Buffalo, construction, education and health services are adding jobs, but government, tourism, finance and manufacturing jobs are contracting.

The fastest job growth has been in the Rochester metropolitan area, where employment has reached 98 percent of its prerecession level. Rochester's growth has been driven by gains in professional and business services, but Kodak recently filed for bankruptcy protection, which could result in the loss of thousands of jobs.

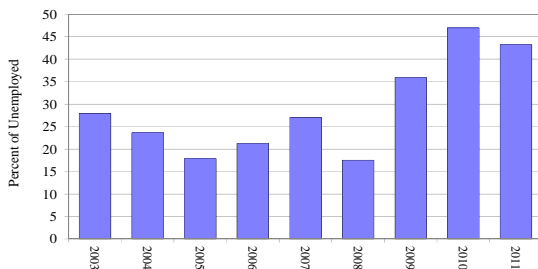
Unemployment

New York's seasonally adjusted unemployment rate of 8 percent was unchanged in December 2011²—lower than the national rate of 8.5 percent—and had declined by less than one percentage point from the peak of 8.9 percent in January 2010. There has been little change in the State's rate since December 2010, when it declined to 8.2 percent.

Much of the decline in the State's unemployment rate since its peak in December 2009 reflects a decline in the size of the active labor force rather than increases in employment. Many workers, discouraged by the difficulty in finding work, have dropped out of the labor force and are therefore no longer considered unemployed.

The number of long-term unemployed people has also increased significantly. More than 350,000 State residents were without a job for at least 27 weeks in December 2011 (about 23,000 less than one year ago, but more than 230,000 greater than in December 2008). These people account for more than 40 percent of the unemployed in each of the last two years, compared with 18 percent in December 2008 (see Figure 4).

Figure 4
Long-Term Unemployed in New York State



Note: Long-term unemployed are people who have been unemployed at least 27 weeks as of November of each year.
Sources: Current Population Survey, U.S. Census Bureau; OSC analysis

Unemployment rates vary across the State, but generally remain historically high and close to their recessionary levels (see Figure 5). In December 2011, the unemployment rates in New York City, Glens Falls, Binghamton, and Utica-Rome exceeded the statewide rate.

² The unemployment rate for New Yorkers without a high school diploma was 15.9 percent, compared to 10.4 percent for people with a high school diploma and 4.7 percent for those with a college degree.

Figure 5
Unemployment Rates in Metropolitan Areas
(not seasonally adjusted)

	Dec. 2007	Dec. 2009	Dec. 2011
New York City	4.8	9.9	8.8
Glens Falls	5.3	8.9	8.4
Binghamton	5.0	8.9	8.2
Utica-Rome	5.1	8.1	8.1
Syracuse	4.9	8.6	8.0
Buffalo	5.5	8.6	7.9
Elmira	4.8	8.9	7.9
Kingston	4.9	8.1	7.8
Mid-Hudson Valley	4.3	8.0	7.3
Rochester	5.1	8.3	7.3
Albany	4.4	7.3	6.9
Long Island	4.0	7.3	6.9
Lower Hudson Valley	3.9	7.2	6.4
Ithaca	3.3	5.8	5.5

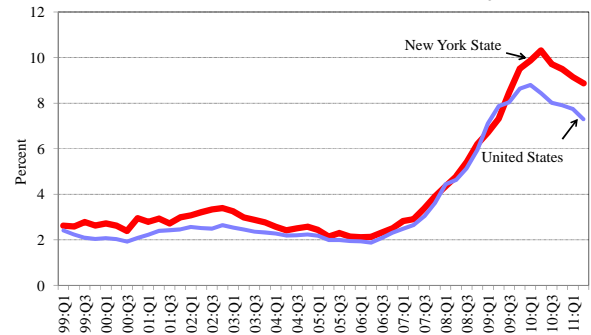
Source: NYS Department of Labor

Personal Debt

Personal debt rose rapidly during the last decade, but since the recession, individuals have concentrated on reducing their debt. In the third quarter of 2011, however, per capita debt in New York rose slightly to \$49,700. Mortgages accounted for 69 percent of the debt for New Yorkers, with student loans the next-largest category (9 percent). Personal debt as a share of income peaked at 110 percent in 2009, and has remained high, at 100 percent, in 2011.

Delinquency rates have improved but remain near their historic highs. For New Yorkers, the share of debt that was delinquent more than 90 days declined to 8.7 percent in the third quarter of 2011 from the peak of 10.3 percent in the second quarter of 2010, but was still four times above its prerecession level (see Figure 6). New York's rate of delinquency was higher than the national rate (7.2 percent).

Figure 6
Share of All Debt More Than 90 Days Late



Source: Federal Reserve Bank of New York