



Economic Trends in New York State

Thomas P. DiNapoli
New York State Comptroller

Report 2-2013

May 2012

Highlights

- Growth in New York's Gross State Product slowed from 5.1 percent in 2010 to an estimated 3.8 percent in 2011, and is expected to slow further in 2012.
- New York State has recovered nearly 95 percent of the jobs lost during the recession, which ranked 5th best among the 50 states.
- New York has added more private sector jobs during the recovery than it lost during the recession, but these gains have been offset by job losses in the government sector.
- The unemployment rate in New York was 8.5 percent in April 2012, compared to 8 percent one year earlier.
- In April 2012, the unemployment rate exceeded the statewide rate in more than half of New York's counties (33 of 62), including 8 counties in which the rate was 10 percent or greater.
- The securities industry in New York City had recovered only 41 percent of the 28,100 jobs lost during the financial crisis before the industry began losing jobs again, shedding 1,400 since October 2011.
- Wall Street got off to a strong start in 2011, earning \$12.6 billion in the first half, but then lost \$4.9 billion in the second half.
- New York State's consumer confidence has recovered more than half the decline experienced during the recession.
- New York's per capita income reached \$50,500 in 2011, which ranked 5th among the 50 states.
- Median home sales prices are slowly rising in most upstate metropolitan areas, but prices in the downstate regions remain weak.
- According to the Empire State Manufacturing Survey, current hiring activity was at its highest level in a year, but expectations of future hiring slipped.

New York added more jobs in the past two years than previously reported, according to revised data from the New York State Department of Labor. As of April 2012, New York had regained nearly 95 percent of the jobs lost in the recession, more than twice the national share.

While New York has reported impressive job gains, not all regions of the State have benefited equally. New York City, which accounts for 44 percent of the jobs in New York State, regained 129 percent of the jobs lost during the recession. While the City's suburbs have reported moderate gains, several upstate cities have regained only a small portion of the jobs lost during the recession, and some have continued to lose jobs.

The unemployment rate in New York is below its recessionary peak, but the rate has risen over the past year and now exceeds the national rate. Many counties have double-digit unemployment rates, and 45 percent of unemployed people in the State have been without a job for more than six months. Also, many of the jobs added during the recovery were in industries that pay less, on average, than those which lost jobs during the recession.

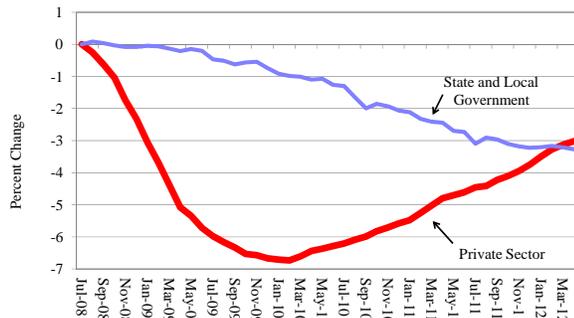
The securities industry, one of the State's economic engines, continues to face uncertainties as it works through the fallout from the financial crisis. The industry reported large operating losses in the second half of 2011, which contributed to an estimated 14 percent decline in cash bonuses and renewed job losses. Recently announced trading losses at JPMorgan Chase could be a harbinger of weak profitability for the industry in 2012.

New York is slowly recovering from the worst recession since the Great Depression, but still faces significant challenges and risks. The unemployment rate remains high and many upstate regions are struggling. The national economy appears to be slowing, which could affect business conditions in New York. Certain potential responses to the federal budget deficit could weaken New York's recovery, and the sovereign debt crisis in Europe remains an ongoing concern.

National Economic Overview

Since job growth resumed in February 2010, the nation has regained 3.7 million jobs, or 43 percent of the jobs lost in the recession, as of April 2012. The private sector has regained 4.2 million jobs, but government has shed 502,000 jobs, virtually all at the state and local levels (see Figure 1).

Figure 1
Cumulative Change in National Employment



Note: Data are seasonally adjusted. Federal government employment has been excluded because of the distortion of employment levels by temporary hiring for the 2010 Census.
Source: U.S. Bureau of Labor Statistics

During the first quarter of 2012, GDP growth slowed to 2.2 percent from 3 percent in the fourth quarter of 2011, as modest growth in consumer spending was offset by a slowing of business investment and continued declines in government spending. IHS Global Insight forecasts growth of 2 percent in the second quarter. Other economic data, including unemployment insurance claims and home sales and prices, also point to slow growth.

The national economy faces many risks that could further hamper growth. Consumers continue to experience uncertain labor markets, high energy prices, limited wage growth and continued weakness in home values. In addition, the ongoing European sovereign debt crisis has led to a recession there that could dampen global economic growth.

Moreover, fiscal policy actions to stimulate the economy are unlikely given the current political climate, and the Federal Reserve Chairman has indicated that with interest rates at historic lows, there are limited options to counteract the short-term adverse impact of the scheduled expiration of payroll and income tax cuts on the economy.

New York Gross State Product

New York's Gross State Product (GSP) rebounded strongly after the recession, with the rate of growth exceeding the nationwide increase and ranking second among the 50 states in both 2010 and 2011. However, New York's rate of growth eased from 5.1 percent in 2010 to an estimated 3.8 percent in 2011, and IHS Global Insight forecasts that the State's GSP will slow to 2.6 percent in 2012.

Manufacturing Activity

The Empire State Manufacturing Survey, conducted by the Federal Reserve Bank of New York, examines business conditions across New York State. The May 2012 survey shows continued slow growth in current economic activity, as well as an expectation for weaker activity in the next six months. Current hiring activity was at its highest level in a year, but expectations of future hiring slipped.

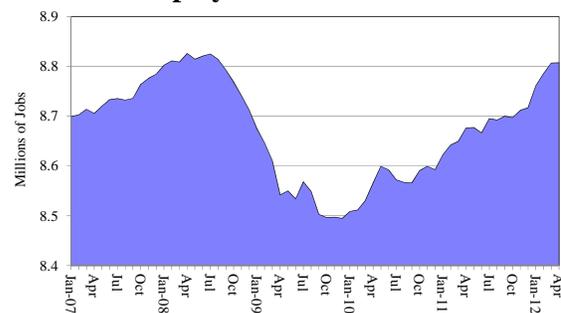
Consumer Confidence

After rising for five consecutive months in New York, consumer confidence fell slightly in April 2012 as a result of higher gasoline prices. Despite the easing, consumer confidence has recovered more than half of the decline experienced during the recession.

Employment

Between December 2009 (when employment reached its recessionary low) and April 2012, New York regained 312,700 jobs (see Figure 2), equal to nearly 95 percent of the jobs lost during the recession (more than twice the share recovered by the nation). The private sector has created more jobs since the end of the recession (335,900) than were lost during the recession (311,100). These gains have been partially offset, however, by the loss of 23,200 government jobs. An expected slowdown in economic growth could limit job gains during the rest of 2012.

Figure 2
Total Employment in New York State



Note: Data have been seasonally adjusted.
Source: NYS Department of Labor

As shown in Figure 3, educational and health services was the only sector to add jobs during the recession (50,500), and it continued to add jobs during the recovery (81,300). Tourism-related employment (i.e., leisure and hospitality) declined the least during the recession, and has shown strong growth since then, adding 67,600 jobs. The business services sector has added more jobs than any other sector (103,600 jobs), and employment in this sector now exceeds the prerecession level.

Figure 3
Employment Changes by Sector in New York State
 (Thousands of Jobs)

	Jul. 2008 - Dec. 2009 Change	Dec. 2009 - Apr. 2012 Change	Net Change	Net Percent Change
Leisure & Hospitality	(2.8)	67.6	64.8	9.0%
Educational & Health Services	50.5	81.3	131.8	8.1%
Business Services	(77.3)	103.6	26.3	2.3%
Other Services	(4.3)	6.6	2.3	0.6%
Trade, Transportation & Utilities	(76.6)	55.6	(21.0)	-1.4%
Government	(19.3)	(23.2)	(42.5)	-2.8%
Financial Activities	(58.2)	30.4	(27.8)	-3.8%
Information	(16.6)	(1.1)	(17.7)	-6.6%
Manufacturing	(74.5)	0.6	(73.9)	-13.8%
Construction	(51.3)	(8.7)	(60.0)	-16.3%
Total	(330.4)	312.7	(17.7)	-0.2%

Source: NYS Department of Labor

The trade, transportation and utilities sector has regained two-thirds of the jobs lost during the recession, with retail trade accounting for nearly all of these gains. The financial activities sector added 30,400 jobs statewide during the recovery (half of the jobs lost), including 19,800 jobs in New York City. Within the financial sector, the securities industry in New York City added 10,100 jobs, but the industry has lost 1,400 jobs since October 2011, and further reductions are expected.

Manufacturing added 5,100 jobs during the first four months of 2012, an encouraging development, but the sector still has 13.8 percent fewer jobs than before the recession. Employment has continued to decline in both construction and information.

Figure 4
Employment Changes by Metropolitan Area
 As of April 2012

	Total Employment (Thousands of Jobs)			Share Recovered
	Recession (Jobs Lost)	Recovery (Jobs Gained)	Net Change	
Glens Falls	-2.7	3.7	1.0	137.0%
New York City	-140.1	180.8	40.7	129.1%
New York State	-330.4	312.7	-17.7	94.6%
Rochester	-19.0	15.9	-3.1	83.7%
Utica/Rome	-4.3	2.9	-1.4	67.4%
Kingston	-3.1	2.0	-1.1	64.5%
Buffalo	-21.0	11.9	-9.1	56.7%
Mid-Hudson Valley	-9.7	5.4	-4.3	55.7%
Lower Hudson Valley	-32.2	16.7	-15.5	51.9%
Syracuse	-13.7	6.9	-6.8	50.4%
Long Island	-53.7	25.4	-28.3	47.3%
Albany	-15.5	3.9	-11.6	25.2%
Binghamton	-6.3	1.3	-5.0	20.6%
Elmira	-2.7	-0.1	-2.8	NA
Ithaca	-1.2	-1.9	-3.1	NA

Notes: Recessionary and recovery periods are determined by peak and trough levels of employment, which vary by region. For the State, employment peaked in July 2008 and reached its low in December 2009. Data have been seasonally adjusted.

Source: NYS Department of Labor

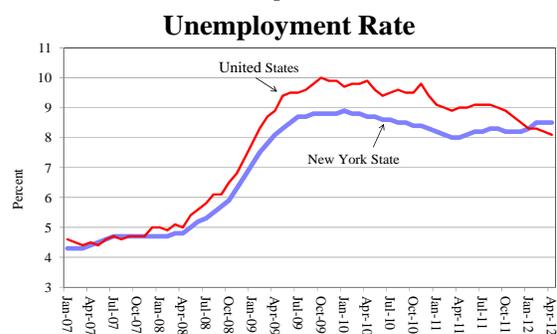
While New York has regained nearly all of the jobs lost during the recession, job growth has been uneven across the State. In addition, many of the jobs added during the recovery were in industries that, on average, pay less (\$48,300) than those which lost jobs during the recession (\$64,000).

New York City and Glens Falls have added more jobs during the recovery than they lost during the recession, but the State's other 12 metropolitan areas regained less than the statewide share (see Figure 4). Although Rochester has had strong job growth, Long Island, Albany and Binghamton each recovered less than half of their job losses from the recession, and Elmira and Ithaca have continued to lose jobs.

Unemployment

New York's unemployment rate declined from its recessionary peak of 8.9 percent in January 2010 to 8 percent in April 2011 (see Figure 5). Over the past year, however, the rate has risen to 8.5 percent (higher than the national rate of 8.1 percent) as more people have re-entered the labor market. New York had the 12th-highest unemployment rate among the 50 states in April 2012.

Figure 5

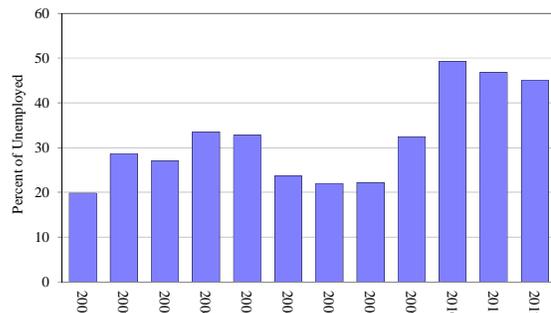


Sources: U.S. Bureau of Labor Statistics; NYS Department of Labor

Residents with college degrees had a lower unemployment rate (5.1 percent in April 2012) than those with only some college (8.8 percent), with only a high school diploma (9.4 percent), or without a high school diploma (13.9 percent). In April 2012, nearly 345,000 State residents were considered long-term unemployed (i.e., they had been without a job for at least 27 weeks). They accounted for 45 percent of the unemployed, down 1.8 percentage points from their share one year earlier (see Figure 6).

Figure 6

Long-Term Unemployed in New York State



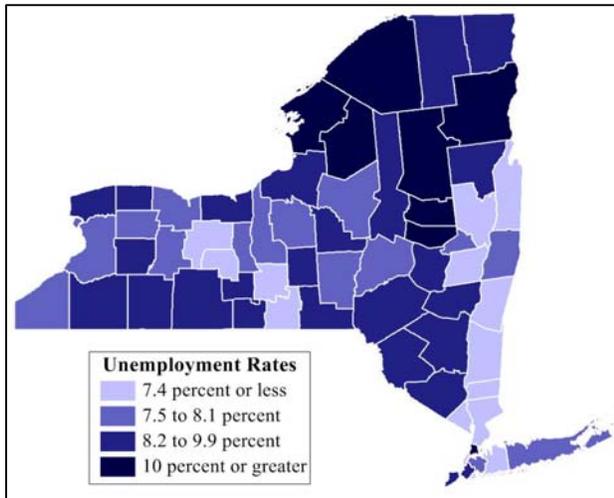
Note: Long-term unemployed are people who have been unemployed at least 27 weeks as of April of each year.

Sources: U.S. Census Bureau; OSC analysis

New York City's unemployment rate has risen over the past year from 8.8 percent to 9.5 percent, approaching the recessionary peak of 10 percent. Among the nation's 50 largest cities, New York City had the 18th-highest unemployment rate in March 2012 (April data are not yet available).

Figure 7 shows the unemployment rate for the 62 counties in New York State. The unemployment rate exceeded the statewide average in 33 counties, including eight where the unemployment rate was 10 percent or greater (the Bronx had the highest rate, at 12 percent). There were 14 counties where the unemployment rate was less than 7.5 percent, with the lowest rate in Tompkins County (5.7 percent).

Figure 7
Unemployment Rates by County
April 2012



Source: NYS Department of Labor

Personal Income

In 2009, personal income in New York declined by 4.8 percent, the first decline since World War II. During 2010 and 2011, personal income rose at an average annual rate of 4.3 percent, which was slightly less than the national rate and ranked 20th among the states. In 2011, personal income in New York reached a record \$983.9 billion, as job growth, salary increases and a rebound in nonwage income (such as interest and dividends) raised personal income above its prerecession level.

In 2011, per capita income in New York State surpassed its prerecessionary level and reached a record \$50,500. New York's per capita income exceeded the national average (\$41,700) and ranked 5th among the 50 states, behind Connecticut (\$56,900), Massachusetts (\$53,600), New Jersey (\$53,200), and Maryland (\$51,000).

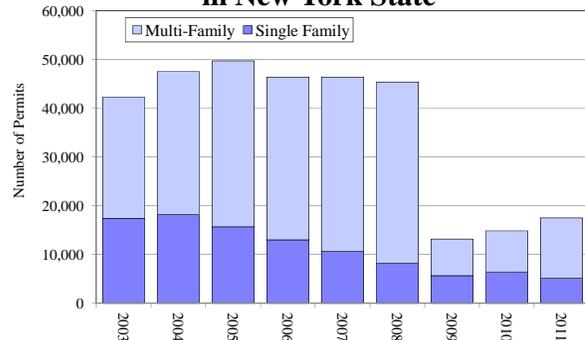
Real Estate

Using data from the National Association of Realtors, Moody's Analytics estimates that the median home sale price in New York has fallen by 23.9 percent from its prerecession peak through the fourth quarter of 2011. Across the nation, there were 18 states that had more severe declines in home values, including those at the heart of the housing and foreclosure crisis (e.g., Nevada, Arizona, Florida and California).

Data from the National Association of Realtors show that median sales prices for homes in Albany, Buffalo, Ithaca, Rochester, Syracuse, and Utica-Rome declined by less than 10 percent during the 2007-2010 period, far less than in the downstate region where prices declined by as much as 27 percent. Home values continued to fall downstate during 2011, while home values rose in most upstate areas.

In accordance with the weakness in home values, new home construction has been depressed. The number of new residential building permits in the State peaked at 49,726 in 2005. Although permit issuances have begun to rise, the number of permits issued in 2011 (17,531) remained 65 percent below the peak (see Figure 8).

Figure 8
Residential Building Permits
in New York State



Source: U.S. Department of Housing and Urban Development