Regional Economic Conditions

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Community Advisory Group Meeting – September 3, 2020

The views expressed here are those of the presenter and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.
Summary

• Economic conditions across the District have been mixed, but clearly weak, since the outbreak of the pandemic.

• The outbreak initially hit the NYC metro region much harder than the rest of the U.S., but the spread has largely subsided. Puerto Rico and USVI seemed to have the spread under control until July, when both territories saw a flare-up; it seems to have subsided in PR but not, thus far, in USVI.

• Not surprisingly, NYC’s economy sustained a steeper decline than the rest of the region or the U.S.—both in terms of employment and consumer spending.

• The magnitude and suddenness of this economic downturn make it more comparable to a natural disaster—specifically, Hurricane Katrina in New Orleans—than a typical recession.

• Our monthly business surveys point to recent weakening in the regional economy, and contacts are now less optimistic about the outlook.
The Coronavirus Shock
Daily New Cases Per Capita, 7-Day Average

- Per capita measure scales the spread to population and allows comparison across regions.
- These represent confirmed (tested) cases and likely understate the actual levels.

Dropoff and Recovery in Consumer Spending

Percent Change in Total Spending, Indexed to January 2020

- Daily credit card purchases based on cardholder address, not point of sale.
- New York City lags but has converged toward the US as of mid-August.
- Data not available for PR or USVI.

Source: Opportunity Insights Economic Tracker and Affinity Solutions.
Severe Job Loss in the Region
Percent Decline from Pre-Pandemic Levels, Feb-Jul 2020

Job Loss Better than Nation (-6% or Less)
Job Loss on Par with Nation (-6% to -11%)
Job Loss Higher than Nation (-11% to -14%)
Job Loss Much Worse than Nation (-14% to -18%)

Source: U.S. Bureau of Labor Statistics and Moody’s Economy.com; data are early benchmarked by FRBNY staff.
The Pandemic Resembles a Natural Disaster

Indexes of Total Employment, Seasonally Adjusted

- Our current path seems comparable to metro New Orleans’ path after Katrina but not as severe.

Source: U.S. Bureau of Labor Statistics and Moody’s Economy.com; data are early benchmarked by New York Fed staff.
### Job Losses by Sector

**Change in Employment by Sector (February to July)**

- Bars show % job losses or shortfalls by sector after 5 months (as of July).
- The dark saucers show shortfalls for metro N.O. 5 months after Katrina.
- The light saucers show these job shortfalls as of 1 year after Katrina.

Source: U.S. Bureau of Labor Statistics and Moody’s Economy.com; some data are early benchmarked by New York Fed staff.
Business Conditions Weaken in Early August

New York Fed Regional Business Surveys, Current Conditions

- Diffusion indexes show net % of business reporting improving conditions (i.e. % improving - % worsening)
- After a steep initial drop, trends in activity had improved steadily through July but they weakened in early August.
- The initial drop-off was much more widespread than in the Great Recession but not as persistent (thus far).

Shading indicates NBER recessions

Source: Federal Reserve Bank of New York.
Both manufacturers and service firms had grown fairly optimistic about the near term outlook as of June.

In the past two months, however, optimism has waned.