Regional Economic Press Briefing

February 14, 2011

The views expressed here are those of the presenters and do not necessarily represent the views of the Federal Reserve Bank of New York or the Federal Reserve System.
Regional Economic Update
Jaison Abel, Economist
Overview

I. Economic Activity

• During Q4-2010, economic activity declined slightly in New York State, New York City, and New Jersey; while activity picked up some in Puerto Rico

II. Employment Trends

• Job growth in the region was weaker than in the U.S. in Q4

III. Unemployment Rate

• While down from peak levels, unemployment in the region remains stubbornly high
Regional Economic Activity

Index of Coincident Economic Indicators (CEI)

Source: Federal Reserve Bank of New York; Puerto Rico Government Development Bank
Note: The Puerto Rico composite index is based on a different methodology than the indexes produced by the FRBNY.
Regional Employment Trends
Seasonally Adjusted

Index (December 2007 = 100)

Shading indicates NBER recession

Source: Bureau of Labor Statistics and Moody’s Economy.com
# Employment Growth by Sector

Seasonally Adjusted, Percent Change, September to December 2010

<table>
<thead>
<tr>
<th>Sector</th>
<th>U.S.</th>
<th>New York</th>
<th>New York City</th>
<th>New Jersey</th>
<th>Puerto Rico</th>
</tr>
</thead>
<tbody>
<tr>
<td>State &amp; Local Government</td>
<td>-0.1%</td>
<td>-0.2%</td>
<td>-1.8%</td>
<td>-0.2%</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>0.1%</td>
<td>-0.3%</td>
<td>-2.7%</td>
<td>-1.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.2%</td>
<td>-1.0%</td>
<td>1.0%</td>
<td>0.0%</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>0.4%</td>
<td>0.2%</td>
<td>-1.2%</td>
<td>-0.9%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>1.1%</td>
<td>0.6%</td>
<td>1.7%</td>
<td>0.9%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Educational &amp; Health Services</td>
<td>0.6%</td>
<td>1.5%</td>
<td>1.2%</td>
<td>0.7%</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>0.0%</td>
<td>0.1%</td>
<td>0.2%</td>
<td>0.6%</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics and Moody’s Economy.com
Employment Growth Within the Region
Seasonally Adjusted, Percent Change, September to December 2010

Source: Bureau of Labor Statistics and Moody’s Economy.com
Note: Lower Hudson is comprised of the Kingston and Poughkeepsie MSAs and the Putnam-Rockland-Westchester Special BLS Area.
Unemployment Rates Within the Region
Seasonally Adjusted, December 2010

Source: Bureau of Labor Statistics and Moody’s Economy.com
The recent improvement in economic conditions experienced in much of the region has paused:

- Economic activity has declined slightly in most of the region
- Employment growth has generally been sluggish, with bright spots in upstate New York and the Lower Hudson Valley
- Unemployment rates have fallen modestly throughout the region, largely due to lower labor force participation, but remain high
Outline

I. How much debt did households take on during the run-up?
   • Compared to U.S. averages, debt levels are relatively low in much of the region, although they rose to high levels in some pockets

II. How much deleveraging has occurred?
   • Debt reductions, while significant, have been milder than the U.S. average

III. Signs of stress
   • Delinquency rates are relatively high in some places, such as New York City and Long Island, Puerto Rico, and Upstate’s urban cores

IV. Our region’s convalescence
   • Recent increases in credit inquiries and auto debt suggest that more consumers are inclined to spend and borrow
FRBNY Consumer Credit Panel

- Data from individual credit reports, an anonymous random sample

- Includes information on various debt obligations:
  - Mortgages
  - Home Equity Line of Credit
  - Auto Loans
  - Student Loans
  - Credit Cards
  - Other

- Limited demographic information, but detailed geographic location

- Quarterly data, 1999 - 2010
Components of Household Debt in the U.S.

Shares of Total Debt

<table>
<thead>
<tr>
<th>Component</th>
<th>2000 Share</th>
<th>2010 Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage</td>
<td>69%</td>
<td>74%</td>
</tr>
<tr>
<td>Home Equity LOC</td>
<td>2%</td>
<td>6%</td>
</tr>
<tr>
<td>Auto Loan</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>Credit Card</td>
<td>10%</td>
<td>6%</td>
</tr>
<tr>
<td>Student Loan</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>9%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: FRBNY Consumer Credit Panel
Regional Trends in Household Debt
Debt-to-Income Patterns in the Region

Debt-to-Income Ratio by Metropolitan Area

Total Household Debt / Total Personal Income

Shading indicates NBER recession

Source: FRBNY Consumer Credit Panel, Bureau of Economic Analysis and Moody's Economy.com
Debt-to-Income Patterns in the Region

Debt-to-Income Ratio by Metropolitan Area

Source: FRBNY Consumer Credit Panel, Bureau of Economic Analysis and Moody's Economy.com
Debt-to-Income Patterns in the Region

Debt-to-Income Ratio by Metropolitan Area

Source: FRBNY Consumer Credit Panel, Bureau of Economic Analysis and Moody’s Economy.com
Debt-to-Income Ratios Across Metros

2010Q2

U.S. Average = 0.9

- 0.0 to 0.7
- 0.7 to 0.9
- 0.9 to 1.2
- 1.2 to 1.6

Source: FRBNY Consumer Credit Panel, Bureau of Economic Analysis and Economy.com
Debt-to-Income Ratios Across Metros

2010Q2

U.S. Average = 0.9

- Blue: 0.0 to 0.7
- Cyan: 0.7 to 0.9
- Orange: 0.9 to 1.2
- Red: 1.2 to 1.6

Source: FRBNY Consumer Credit Panel, Bureau of Economic Analysis and Economy.com
Debt-to-Income by Zip Code

2007

U.S. Rate = 1.4
- 0.0 to 1.0
- 1.0 to 1.4
- 1.4 to 1.7
- 1.7 to 3.3
- Insufficient data

Note: Zip code computations use Adjusted Gross Income rather than Personal Income, so figures will be a different scale than for metro areas.

Source: FRBNY Consumer Credit Panel, Internal Revenue Service and Economy.com
Debt-to-Income by Zip Code

2007

U.S. Rate = 1.4

- 0.0 to 1.0
- 1.0 to 1.4
- 1.4 to 1.7
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Source: FRBNY Consumer Credit Panel, Internal Revenue Service and Economy.com
Debt-to-Income by Zip Code

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- 1.0 to 1.4
- 1.4 to 1.7
- 1.7 to 3.3

Insufficient data

Source: FRBNY Consumer Credit Panel, Internal Revenue Service and Economy.com
How Much Deleveraging Has Occurred?
Change in Debt From U.S. Peak
Change in Debt Per Capita from 2008Q3-2010Q4

- U.S.: -$4,976
- Las Vegas: -$18,414
- Buffalo: +$212
- Puerto Rico: -$721
- New York City: -$2,358
- Edison: -$2,928
- Newark: -$2,938
- Fairfield: -$3,137
- Long Island: -$3,639

Source: FRBNY Consumer Credit Panel
Signs of Stress
Delinquency Rate
Percent of Total Debt 90+ Days Delinquent

Source: FRBNY Consumer Credit Panel
Delinquency Rates
Share of All Debt 90+ Days Delinquent, 2010Q4

U.S. Rate = 7.9
- 0.0 to 4.1
- 4.1 to 7.9
- 7.9 to 12.5
- 12.5 to 40.6
- Insufficient data

Source: FRBNY Consumer Credit Panel
Delinquency Rates
Share of All Debt 90+ Days Delinquent, 2010Q4

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Source: FRBNY Consumer Credit Panel
Have Consumers Been Seeking and Taking on New Debt in Recent Months?
Credit Inquiries

Number of Credit Inquiries in Past 3 Months, Seasonally Adjusted

Index (2005Q1 = 100)

Source: FRBNY Consumer Credit Panel
Auto Debt Per Capita

Source: FRBNY Consumer Credit Panel
Change in Auto Debt Per Capita in 2010
Percent Change from 2010Q1 to 2010Q4

Source: FRBNY Consumer Credit Panel
Conclusions

- Household debt is relatively low in much of the region, although in some pockets it has risen to high levels.
- Deleveraging in the region, while severe by historical standards, has been milder than average.
- Signs of stress for some households clearly remain; delinquencies are particularly high in some neighborhoods in NYC, Long Island, and upstate’s urban cores.
- Households in much of the region sought and took on some forms of new debt in 2010.
  - A signal that consumers are willing to spend and borrow as credit has become more available and the economy recovers.
Appendix
# Employment Growth by Sector

## Seasonally Adjusted, Percent Change, September to December 2010

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<th>New Jersey</th>
<th>Puerto Rico</th>
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</thead>
<tbody>
<tr>
<td>Transportation &amp; Utilities</td>
<td>1.6%</td>
<td>-0.5%</td>
<td>-0.6%</td>
<td>1.2%</td>
<td>-4.8%</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>1.1%</td>
<td>0.6%</td>
<td>1.7%</td>
<td>0.9%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Education &amp; Health Services</td>
<td>0.6%</td>
<td>1.5%</td>
<td>1.2%</td>
<td>0.7%</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Other Services</td>
<td>0.6%</td>
<td>-0.4%</td>
<td>-4.0%</td>
<td>0.5%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
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<tr>
<td>Retail Trade</td>
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<td>-0.3%</td>
<td>-2.7%</td>
<td>-1.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Federal Government</td>
<td>0.1%</td>
<td>-2.0%</td>
<td>-1.5%</td>
<td>-0.9%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>0.0%</td>
<td>0.1%</td>
<td>0.2%</td>
<td>0.6%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Information</td>
<td>-0.1%</td>
<td>0.2%</td>
<td>1.0%</td>
<td>-1.5%</td>
<td>-2.2%</td>
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<td>-0.2%</td>
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</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>-0.3%</td>
<td>0.4%</td>
<td>-0.1%</td>
<td>-2.0%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Construction &amp; Mining</td>
<td>-0.3%</td>
<td>-1.0%</td>
<td>-1.4%</td>
<td>1.8%</td>
<td>-12.1%</td>
</tr>
</tbody>
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Source: Bureau of Labor Statistics and Moody’s Economy.com
Labor Force

Seasonally Adjusted, Percent Change, September to December 2010

Source: Bureau of Labor Statistics and Moody's Economy.com
Debt-to-Income by Zip Code

2007

U.S. Rate = 1.4

0.0 to 1.0
1.0 to 1.4
1.4 to 1.7
1.7 to 3.3
Insufficient data

Upstate Metros

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Debt-to-Income by Zip Code

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Northern New Jersey

Source: FRBNY Consumer Credit Panel, Internal Revenue Service and Economy.com
Debt-to-Income by Zip Code

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U.S. Rate = 1.4

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Share of All Debt 90+ Days Delinquent, 2010Q4

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