Economic Conditions in the Region

Jason Bram, Research Officer

December 17, 2019

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.
The 2\textsuperscript{nd} Federal Reserve District

Regions in the District

- Upstate NY
- Northern NJ
- Downstate NY
- Puerto Rico & U.S. Virgin Islands
- Fairfield County CT
Overview

• Growth has slowed across the tri-state region, which is reflected in:
  ▪ Business Surveys
  ▪ Employment
  ▪ Housing

• The regional economy faces a variety of headwinds, including labor shortages and uncertainty related to trade.

• After substantial rebuilding efforts, Puerto Rico and the U.S. Virgin Islands have rebounded to at or near pre-storm employment levels.
Economic & Employment Trends
Regional Growth Slowing
New York Fed Regional Business Surveys, Business Activity

Source: Federal Reserve Bank of New York.
Job Trends in the Tri-State Region

Indexes of Total Employment, Seasonally Adjusted

Index (Jan2010=100)

<table>
<thead>
<tr>
<th>Region</th>
<th>Oct13 to Oct18</th>
<th>Oct18 to Oct19</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>1.8%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Downstate NY</td>
<td>2.1%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Upstate NY</td>
<td>0.7%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Northern NJ</td>
<td>1.3%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Fairfield County CT</td>
<td>0.3%</td>
<td>-0.1%</td>
</tr>
</tbody>
</table>

Source: U.S. Bureau of Labor Statistics and Moody’s Economy.com; data are early benchmarked by New York Fed staff.
Job Trends in Puerto Rico, U.S. Virgin Islands

Indexes of Total Employment, Seasonally Adjusted

Source: U.S. Bureau of Labor Statistics and Moody’s Economy.com; data are early benchmarked by New York Fed staff.
Which Industries Have Weakened the Most?

Sectoral Employment by Region

**Downstate NY**
- Leisure & Hospitality
- Construction

**Northern NJ**
- Leisure & Hospitality
- Professional & Business Services
- Education & Health

**Fairfield County CT**
- Leisure & Hospitality
- Financial Activities

**Upstate NY**
- Leisure & Hospitality
- Manufacturing
- Education & Health

Source: U.S. Bureau of Labor Statistics and Moody’s Economy.com; data are early benchmarked by New York Fed staff.
Job Growth Has Slowed In and Around NYC

Annual Percent Change in Total Employment

Source: U.S. Bureau of Labor Statistics and Moody’s Economy.com; data are early benchmarked by New York Fed staff.
Job Growth Has Also Slowed in Upstate NY

Annual Percent Change in Total Employment

Source: U.S. Bureau of Labor Statistics and Moody’s Economy.com; data are early benchmarked by New York Fed staff.
Home Prices Softening In and Around NYC

Annual Percent Change in Home Prices

<table>
<thead>
<tr>
<th>Location</th>
<th>Previous Five Years Change (Sep13-Sep18)</th>
<th>Past Year Change (Sep18-Sep19)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Queens</td>
<td>3.5%</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Brooklyn</td>
<td>3.5%</td>
<td>-4.4%</td>
</tr>
<tr>
<td>Staten Island</td>
<td>5.4%</td>
<td></td>
</tr>
<tr>
<td>Bronx</td>
<td>0.4%</td>
<td></td>
</tr>
<tr>
<td>Manhattan</td>
<td>3.5%</td>
<td></td>
</tr>
<tr>
<td>Hudson</td>
<td>3.5%</td>
<td></td>
</tr>
<tr>
<td>Nassau</td>
<td>1.1%</td>
<td></td>
</tr>
<tr>
<td>Bergen</td>
<td>1.1%</td>
<td></td>
</tr>
<tr>
<td>Westchester</td>
<td>1.0%</td>
<td></td>
</tr>
<tr>
<td>Fairfield</td>
<td>0.3%</td>
<td></td>
</tr>
<tr>
<td>Nearby Counties</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>3.5%</td>
<td></td>
</tr>
</tbody>
</table>

Source: CoreLogic Home Price Index.
Home Prices More Resilient in Upstate NY

Annual Percent Change in Home Prices

Source: CoreLogic Home Price Index.
Headwinds
Difficult to Find Workers in the Region

Long-Run and Current Unemployment Rates, Seasonally Adjusted

Surveys Point to Hiring Difficulties
New York Fed Regional Business Surveys

Have you had difficulty hiring workers in the last three months because of lack of qualified candidates? (Labor supply factor)

Source: Federal Reserve Bank of New York, Regional Business Surveys, Supplemental Questions.
Top Factor Restraining Hiring Plans

New York Fed Regional Business Surveys

Expected growth of sales is low
(Labor demand factor)

Source: Federal Reserve Bank of New York, Regional Business Surveys, Supplemental Questions.
Trade Issues Affecting Local Business
New York Fed Regional Business Surveys

Percentage of Respondents Reporting Adverse Effects from Trade Policy Changes on …

Business Leaders Survey – Aug 2019
- Your sales to foreign customers: 11%
- Your sales to domestic customers: 21%
- Overall net effect on bottom line: 38%

Empire State Manufacturing Survey – Aug 2019
- Your sales to foreign customers: 23%
- Your sales to domestic customers: 27%
- Overall net effect on bottom line: 51%

Source: Federal Reserve Bank of New York, Regional Business Surveys, Supplemental Questions.
Trade Issues Affecting Local Business
New York Fed Regional Business Surveys, Business Activity

Diffusion Index – Seasonally Adjusted

Empire State Manufacturers

Business Leaders

Source: Federal Reserve Bank of New York.
Summary

• Economic growth and job creation have slowed this year, even in and around New York City.

• A variety of headwinds, including labor shortages and uncertainty related to trade, have contributed to this slowdown.

• Puerto Rico and the US Virgin Islands have rebounded to at or near pre-storm employment levels after years of rebuilding.
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