The 2nd Federal Reserve District

Regions in the District

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

• After a summer lull in the spread of the coronavirus, much of the region is seeing a surge in cases.

• The region experienced a deep and rapid downturn, which was more severe than the nation, and is still struggling to make up the ground that was lost. Lower-wage workers & people of color were hit especially hard.

• Housing markets in the region have held up fairly well, except in New York City.

• Fiscal pressures are mounting for state and local governments, creating an additional headwind to the region’s recovery.

• Local businesses anticipate a long road ahead before conditions approach normal.
The Spread of Coronavirus in the Region
Coronavirus Case Growth

Daily New Cases Per Capita, 7-Day Average

New Cases Per 100,000 People

Business Activity & Consumer Spending
Many Local Businesses Still Struggling

New York Fed Regional Business Surveys, Current Conditions

Source: Federal Reserve Bank of New York.
Consumer Spending Flattening
Percent Change in Debit & Credit Card Spending, Indexed to Feb 2020

Source: Commerce Signals, a Verisk Analytics Business. Data are seasonally adjusted by NY Fed Staff.
People Spending More Time at Home

Change in Average Time Spent Outside Residential Locations, Indexed to Feb 2020

Source: Opportunity Insights Economic Tracker and Google COVID-19 Community Mobility Reports.
Labor Market
Employment Well Below Pre-Pandemic Levels

Percent Change in Total Employment, Indexed to February 2020

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

## Job Declines and Remaining Shortfalls

<table>
<thead>
<tr>
<th>Area</th>
<th>Feb to Apr Job Decline</th>
<th>Shortfall as of October</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>-15%</td>
<td>-7%</td>
</tr>
<tr>
<td>Long Island</td>
<td>-22%</td>
<td>-9%</td>
</tr>
<tr>
<td>Orange-Rockland-Westchester</td>
<td>-22%</td>
<td>-10%</td>
</tr>
<tr>
<td>Fairfield CT</td>
<td>-20%</td>
<td>-8%</td>
</tr>
<tr>
<td>New York City</td>
<td>-20%</td>
<td>-12%</td>
</tr>
<tr>
<td>Dutchess-Putnam</td>
<td>-18%</td>
<td>-10%</td>
</tr>
<tr>
<td>Bergen-Hudson-Passaic</td>
<td>-19%</td>
<td>-8%</td>
</tr>
<tr>
<td>Middlesex-Monmouth-Ocean</td>
<td>-18%</td>
<td>-5%</td>
</tr>
<tr>
<td>Newark Metro Division</td>
<td>-18%</td>
<td>-9%</td>
</tr>
<tr>
<td>Buffalo</td>
<td>-20%</td>
<td>-8%</td>
</tr>
<tr>
<td>Syracuse</td>
<td>-19%</td>
<td>-10%</td>
</tr>
<tr>
<td>Rochester</td>
<td>-18%</td>
<td>-10%</td>
</tr>
<tr>
<td>Albany</td>
<td>-16%</td>
<td>-9%</td>
</tr>
<tr>
<td>Utica</td>
<td>-16%</td>
<td>-8%</td>
</tr>
<tr>
<td>Binghamton</td>
<td>-14%</td>
<td>-6%</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.
Jobs Lost and Gained by Industry

New York/Northern New Jersey/Fairfield

Source: U.S. Bureau of Labor Statistics and Moody’s Economy.com; data are early benchmarked by New York Fed staff.
Workers Affected Unevenly
Percent Change by Group for NYS, NNJ, & Fairfield, Indexed to Feb 2020

Workers Affected Unevenly
Percent Change by Group for NYS, NNJ, & Fairfield, Indexed to Feb 2020

Businesses Anticipate a Long Road Ahead
New York Fed November Supplemental Survey Report

Q: When Do You Expect Employment to Return to Pre-Covid Levels?

- More than one year from now/never
  - Manufactures: 36%
  - Service Firms: 45%

- One year or less
  - Manufactures: 22%
  - Service Firms: 25%

- Already at or Above Pre-Covid Level
  - Manufactures: 42%
  - Service Firms: 30%

Source: Federal Reserve Bank of New York.
Real Estate
Home Prices Continuing to Increase

Percent Change in Home Prices, Indexed to January 2015

Shading indicates NBER recession

Source: CoreLogic Home Price Index (including distressed sales).
New York City Rents Are Falling
Median Overall Residential Rent With Concessions

# Commercial Vacancies on the Rise

## Vacancy Rates

<table>
<thead>
<tr>
<th>Year End 2019</th>
<th>November 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Vacancy Rates</td>
<td>Retail Vacancy Rates</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region</th>
<th>Office Vacancy Rate</th>
<th>Retail Vacancy Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manhattan</td>
<td>9%</td>
<td>2%</td>
</tr>
<tr>
<td>Long Island</td>
<td>6%</td>
<td>3%</td>
</tr>
<tr>
<td>Northern NJ</td>
<td>8%</td>
<td>4%</td>
</tr>
<tr>
<td>Westchester Fairfield</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Upstate NY</td>
<td>11%</td>
<td>6%</td>
</tr>
</tbody>
</table>

State & Local Fiscal Pressures
Public Sector Revenues Declining

Cumulative Change in Revenues, Jan-Oct 2020 vs Jan-Oct 2019

- New Jersey: -5.2%
- New York State: -3.5%
- New York City: -4.0%

Source: NYC OMB; NY Department of Taxation and Finance; NJ Treasury. NYC cumulative revenue changes are through September.
Conclusions

• Despite the substantial recovery we’ve seen so far, business activity, consumer spending, and employment are all still below pre-pandemic levels in much of the region.

• The pandemic and economic consequences have been particularly hard on lower-wage workers and people of color.

• There are many headwinds facing the regional economy, including increased virus spread, tightened restrictions on business activity, and colder weather.