



FEDERAL RESERVE BANK *of* NEW YORK

U.S. and Regional Economic Conditions

Andrew Haughwout, Director of Household and Public Policy Research
2024 New York Fed Regional and Community Banking Conference
April 18, 2024

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.

National Economy

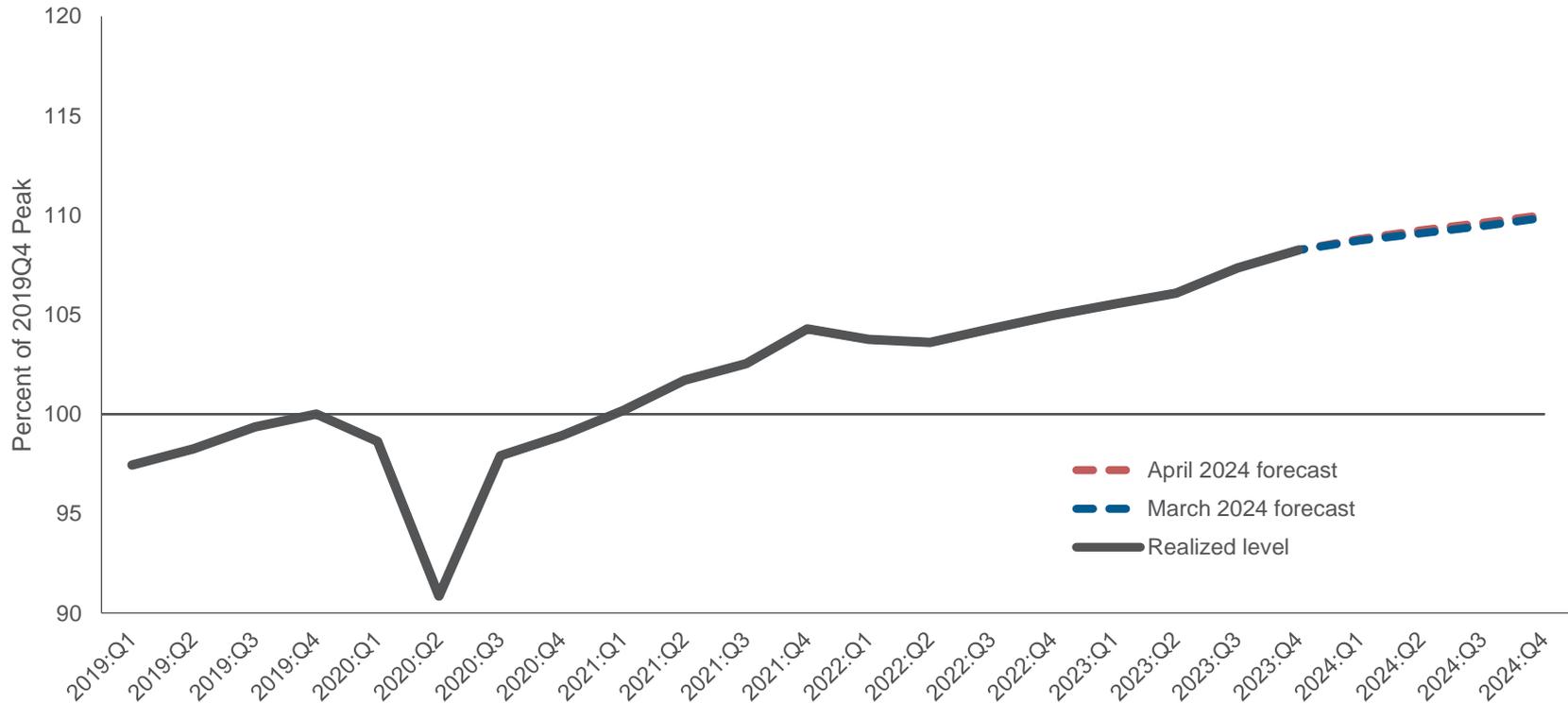
Overview - National

- Real GDP growth was robust in 2023.
 - Growth in early 2024 still solid amid modest signs of slowing.
- The labor market is better balanced but remains tight.
- Despite an uptick in early 2024, inflation continues to moderate gradually.
- Household credit conditions show signs of weakening.



GDP Rose in 2023Q4; Spending Still Resilient

Blue Chip Consensus Real GDP Forecast

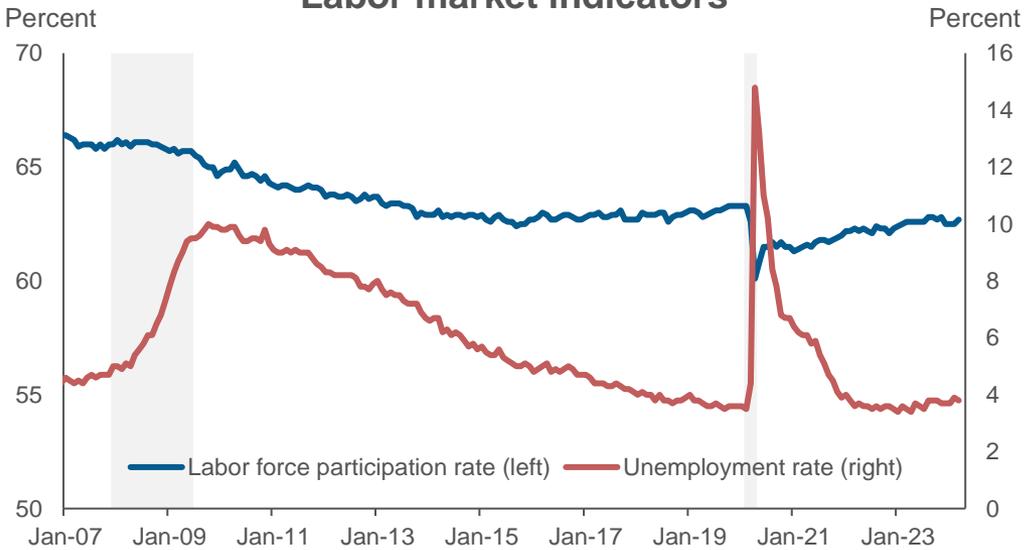


- 2023 GDP grew at a robust pace.
- Expenditures have been resilient in 2024Q1.
- Since December, private forecasts have moved higher.



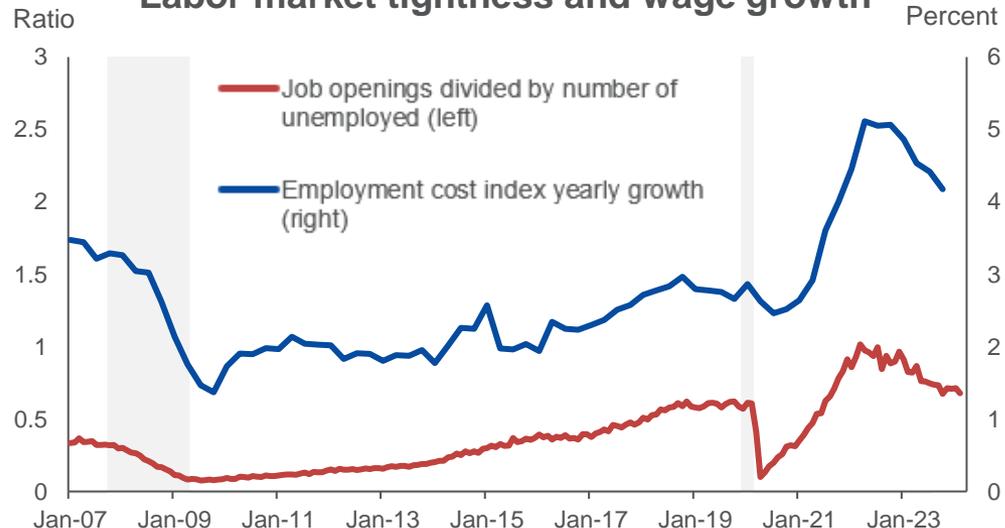
Some Signs of Easing, but the Labor Market Remains Tight

Labor market indicators



- Unemployment rate below 4 percent for over two years.
- Job growth remains brisk: 3-month average was 276,333 in March.

Labor market tightness and wage growth

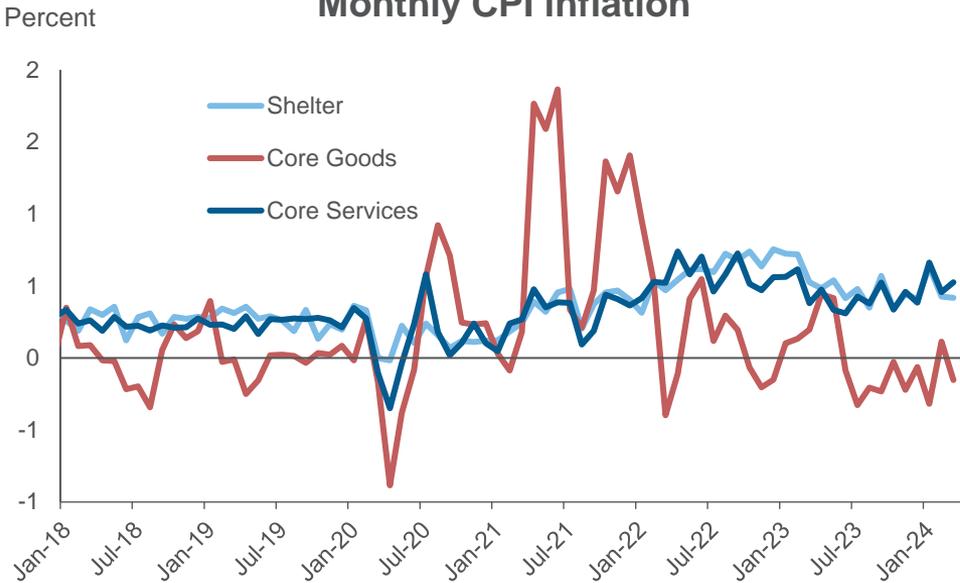


- Even with some easing, there are many more job openings than people looking for work.
- Wage growth has moderated but remains above pre-pandemic rates.

Source: Bureau of Labor Statistics via Haver Analytics. Note: Shading shows NBER recessions.

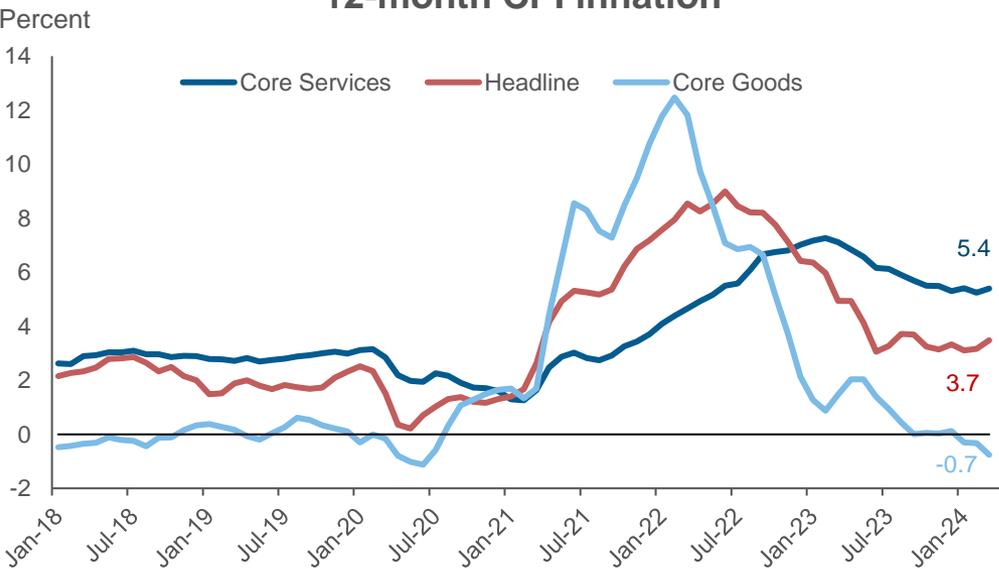
Inflation is Moderating but Remains High

Monthly CPI inflation



- Core goods inflation remains subdued, as supply chain issues have improved.
- Even after some slowing in shelter, core services inflation is still elevated.

12-month CPI inflation



- Ex-food & energy (core) inflation has slowed but remains high.
- Both core goods and core services inflation have been moderating.

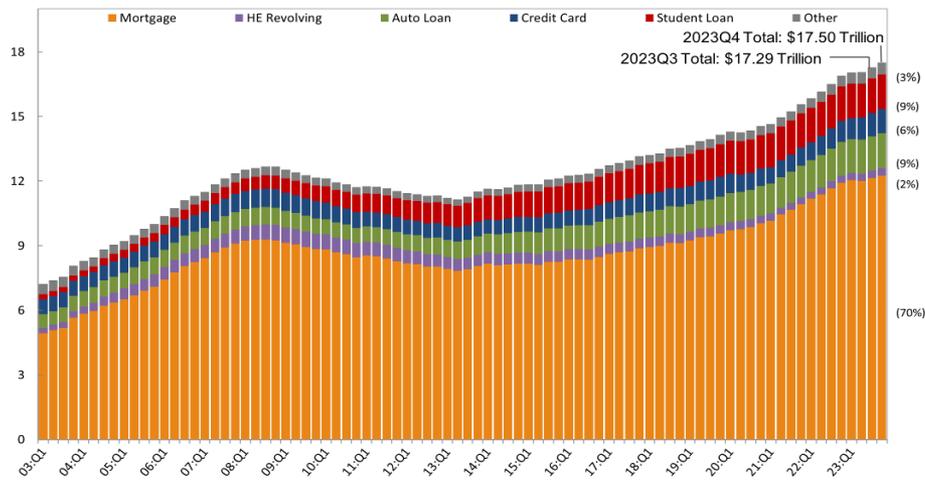
Source: Bureau of Labor Statistics via Haver Analytics.



Household Debt has Been Growing with Economy

Total Debt Balance and its Composition

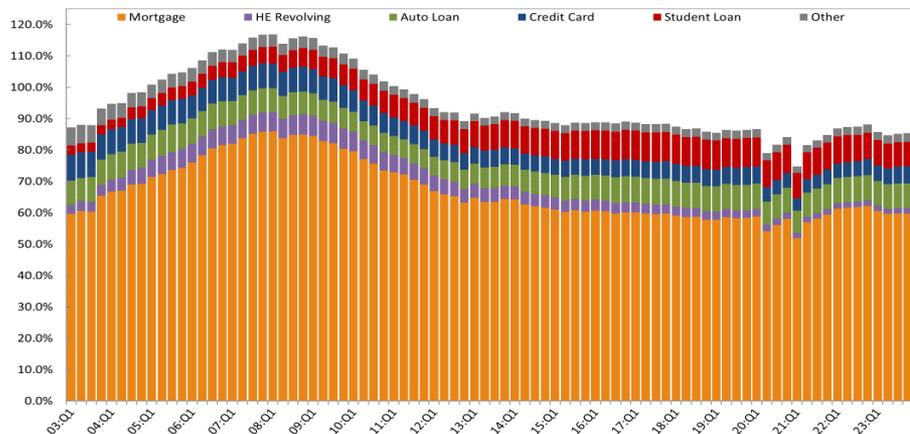
Trillions of Dollars



Source: New York Fed Consumer Credit Panel/Equifax

- Nominal household debt continues to grow, reaching \$17.5 trillion end of 2023.
- Pace of growth has slowed over last year.
- Mortgage debt flattened out as interest rates rose since 2022.

Total Debt Balance / Disposable Income



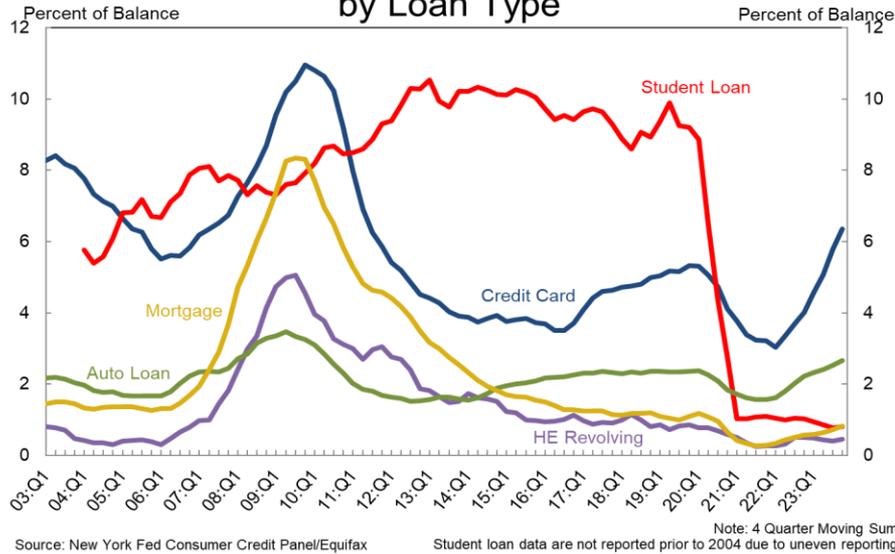
Source: New York Fed Consumer Credit Panel/Equifax

- Unsurprising that nominal debt grows over time.
- Debt is fairly stable as a share of income.



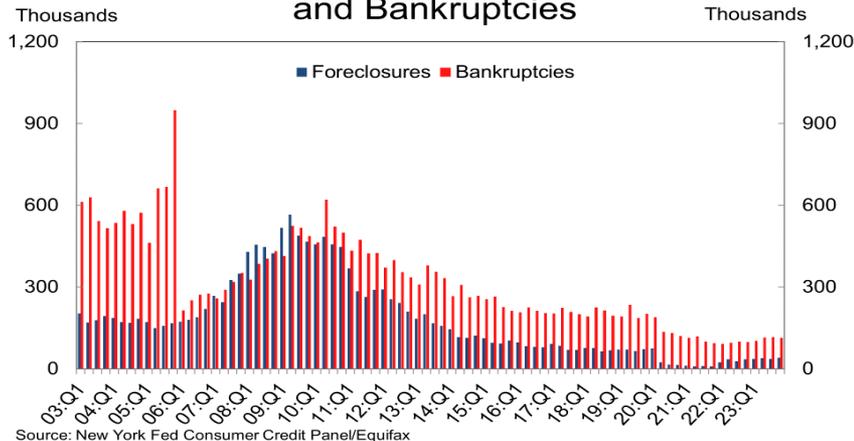
Debt Delinquencies an Area to Watch

Transition into Serious Delinquency (90+) by Loan Type



- A recent concern has been sharp and sustained increases in the rate at which debts become delinquent.
- Credit card and auto delinquency transition rates now exceed pre-pandemic levels.
- Mortgage delinquency transition rates rising but still low.
- These increases not (yet) reflected in notable increases in foreclosures or bankruptcies.

Number of Consumers with New Foreclosures and Bankruptcies



Concluding Observations - National

- Economic activity and the labor market have remained resilient so far in 2024.
- Inflation is moderating but remains above 2 percent.
- Supply and demand imbalances continue to recede.
- Keep an eye on household delinquencies.



Regional Economy

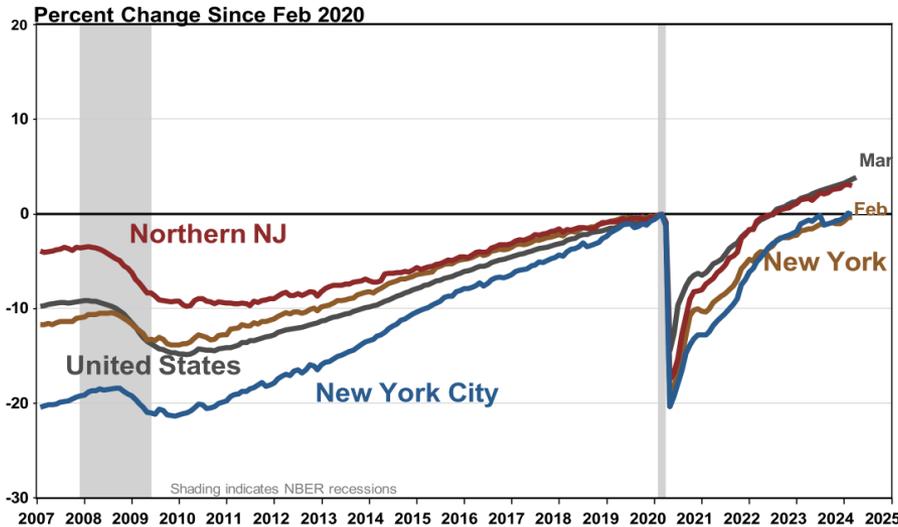
Overview - Regional

- Post-pandemic jobs recovery has been spotty across the region.
 - Generally weaker than the nation.
- Home prices have grown sharply, except in NYC.
- Office markets are weak, especially in NYC.
- Business conditions weak but improving.

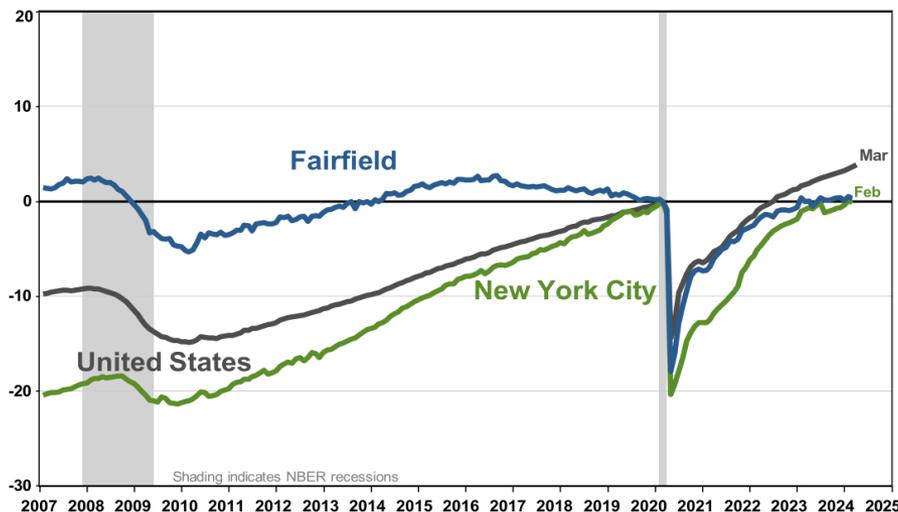


Employment Recovery Uneven

- Much of the region has lagged the U.S. in job growth since the pandemic began.
- All areas, especially NYC, experienced sharp drops in employment as pandemic took hold.
- Northern NJ on pace with the nation; Fairfield, NYC and NY State have lagged.
- Fairfield, NYC and NY State essentially just where they were in Feb. 2020, four years ago.

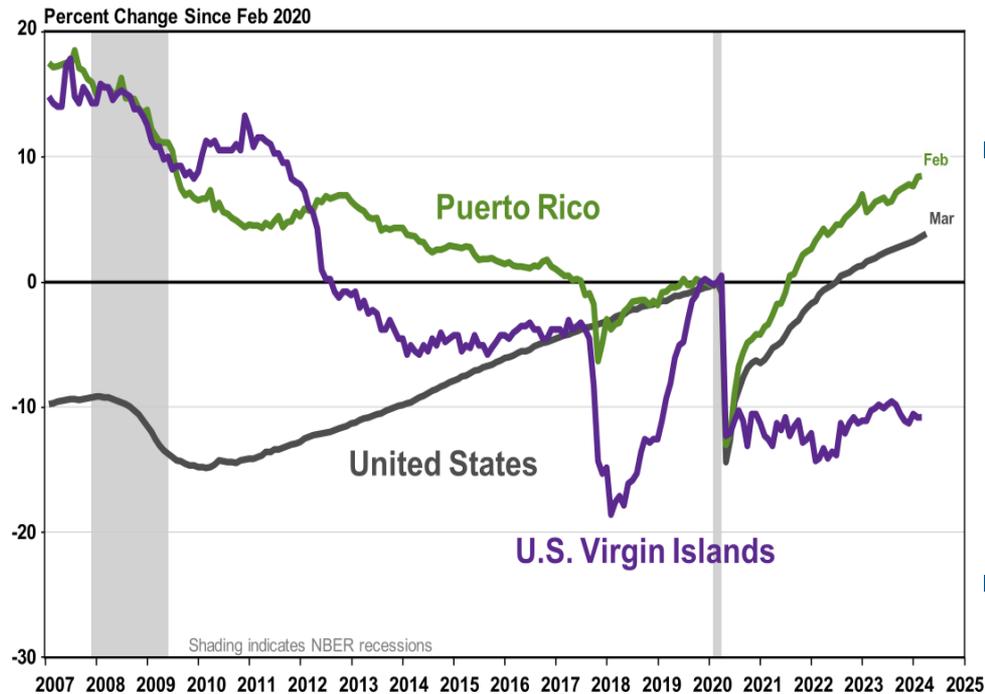


Source: Bureau of Labor Statistics and Moody's Economy.com; data are early benchmarked by FRBNY staff.



Source: Bureau of Labor Statistics and Moody's Economy.com; data are early benchmarked by FRBNY staff.

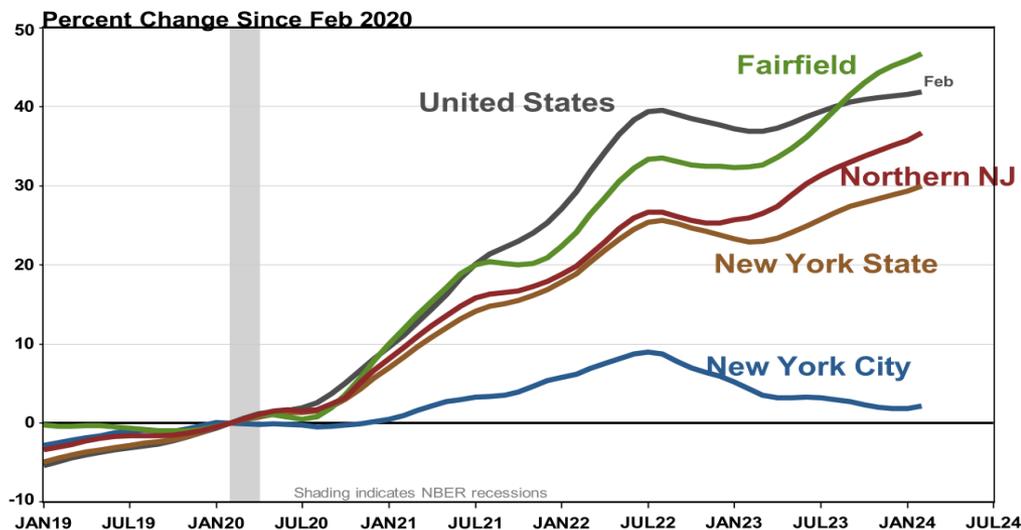
Employment Recovery Uneven



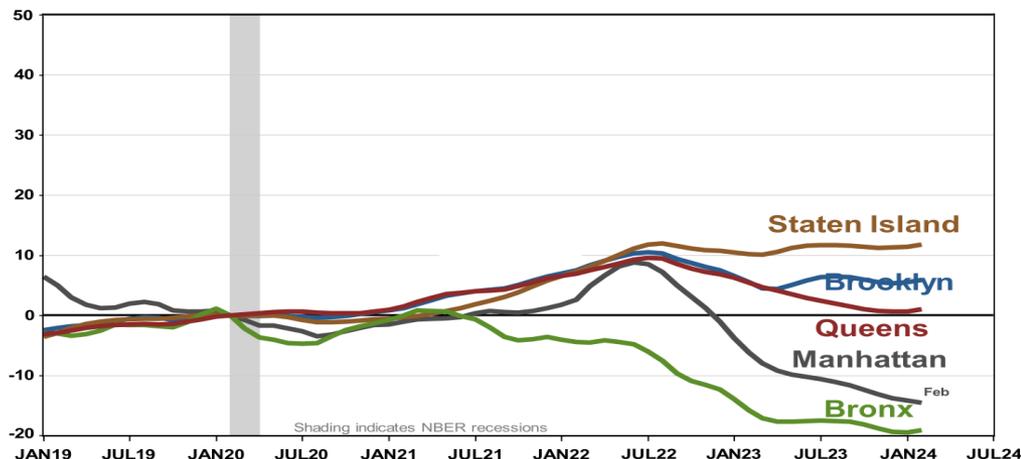
Source: Bureau of Labor Statistics and Moody's Economy.com; data are early benchmarked by FRBNY staff.

- Puerto Rico and USVI have experienced wildly divergent employment paths.
- Both were declining before 2017 hurricanes, then experienced modest bounce-back before declining during pandemic.
- Since pandemic, Puerto Rico has grown relatively strongly while USVI employment has stalled.

Housing Prices Exceptionally Strong, Except in NYC

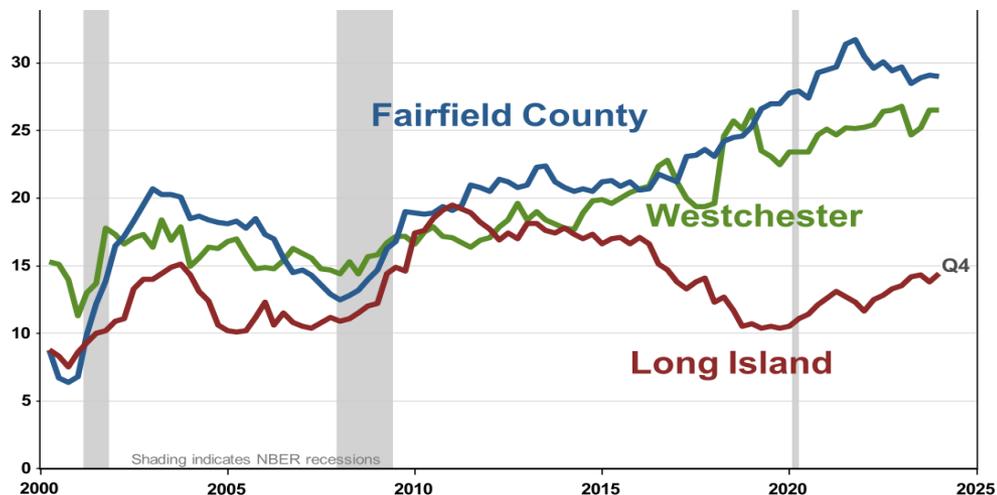
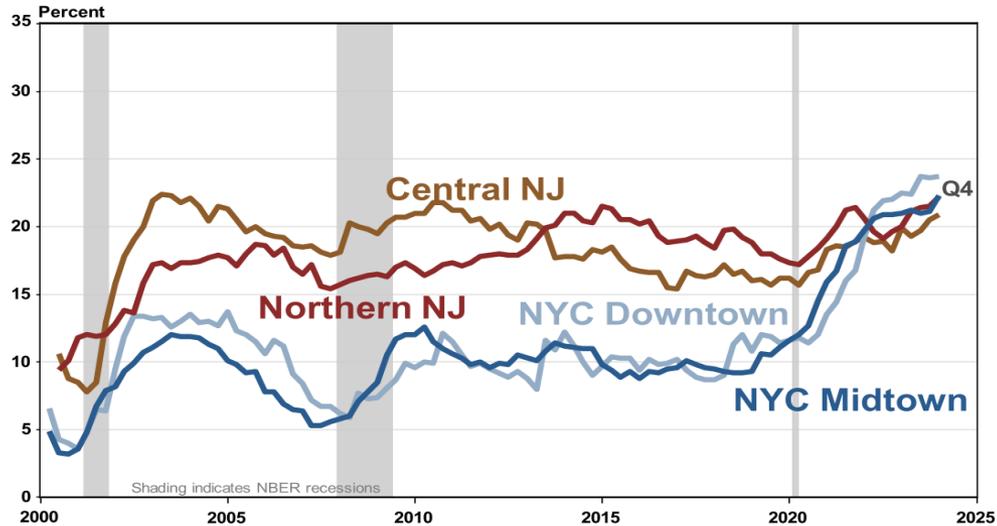


- Home prices have risen strongly throughout most of the region since the pandemic.
- NYC has been an exception.



- Outright price declines in Manhattan and Bronx.

Office Markets Remain Weak, Especially in NYC

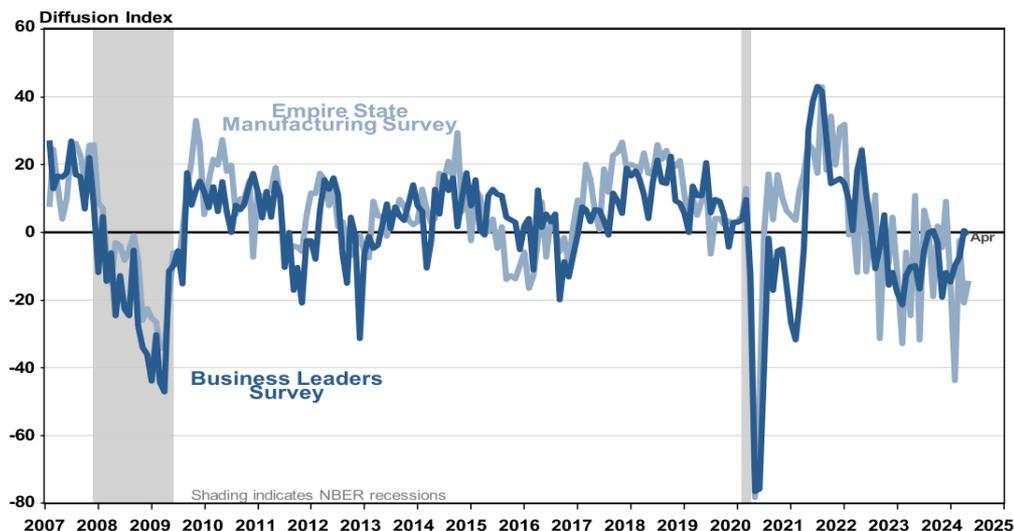


- Office vacancy rates remain above their pre-pandemic levels in most of the region.
- Vacancy rates in NYC rose sharply starting in 2020, and are now over 20 percent in both Midtown and Downtown markets.
- Suburban markets started weak; Long Island an exception.

Source: Cushman & Wakefield.

Business Conditions Currently Weak, but Future Brighter

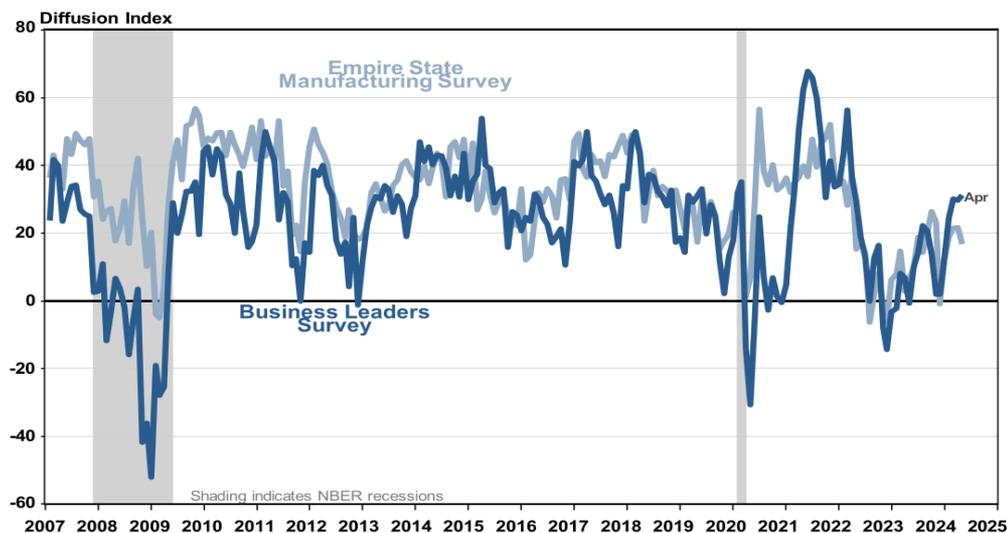
FRBNY Business Surveys, Current Conditions



- The New York Fed conducts two surveys of regional businesses.

- Both surveys have been showing weakening conditions for the last several quarters, although services conditions appear to be stabilizing.

FRBNY Business Surveys, Conditions Six Months Ahead



- Respondents expressing optimism about conditions six months ahead.

Concluding Observations - Regional

- The regional economy was hit extraordinarily hard by the pandemic, especially in its early phase.
- Jobs recovery is very uneven across the Second District; only Puerto Rico has recovered as fast as the nation as a whole.
- Regional businesses report weak conditions, but express optimism for later in the year.



Thank you!

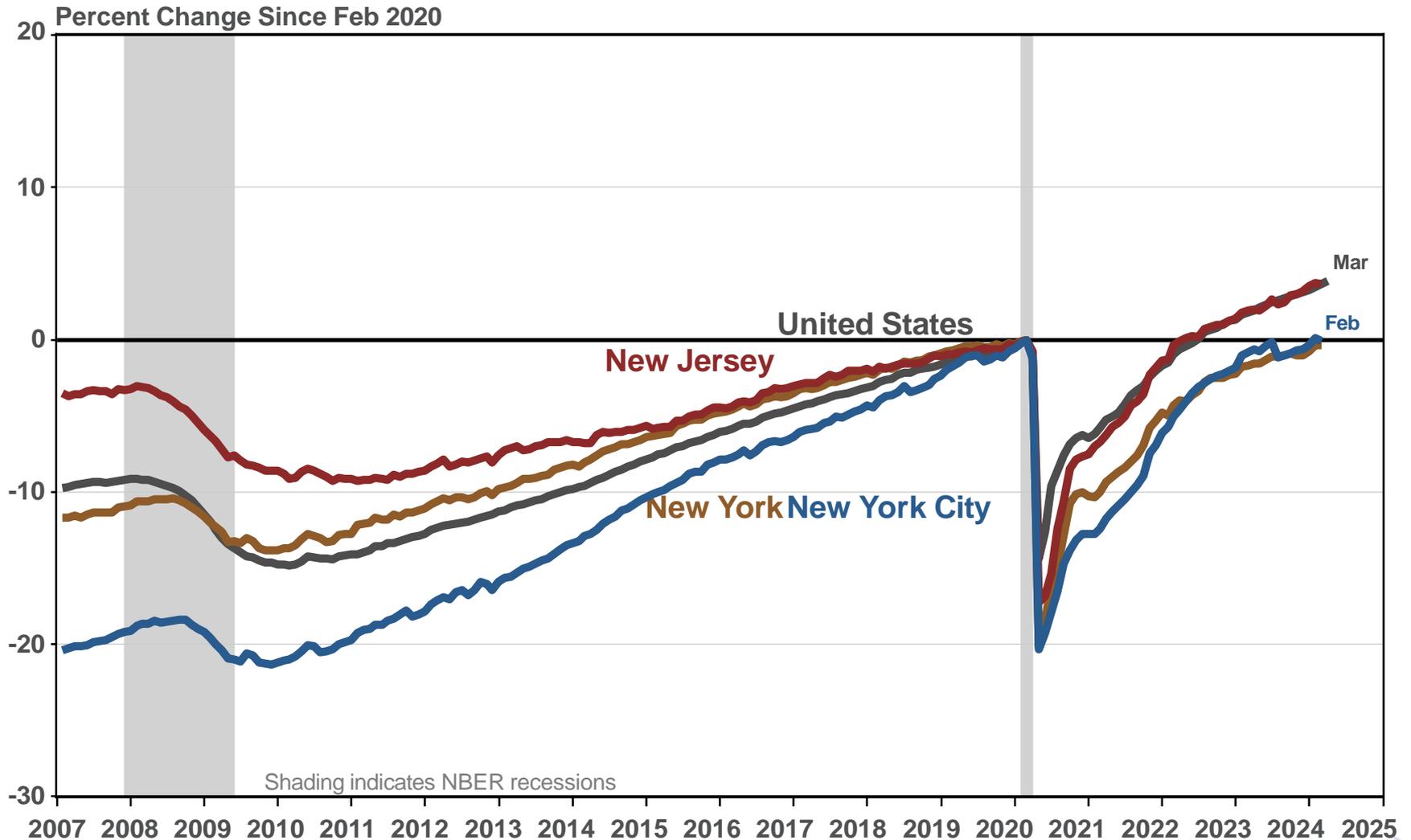
Questions?



REFERENCE

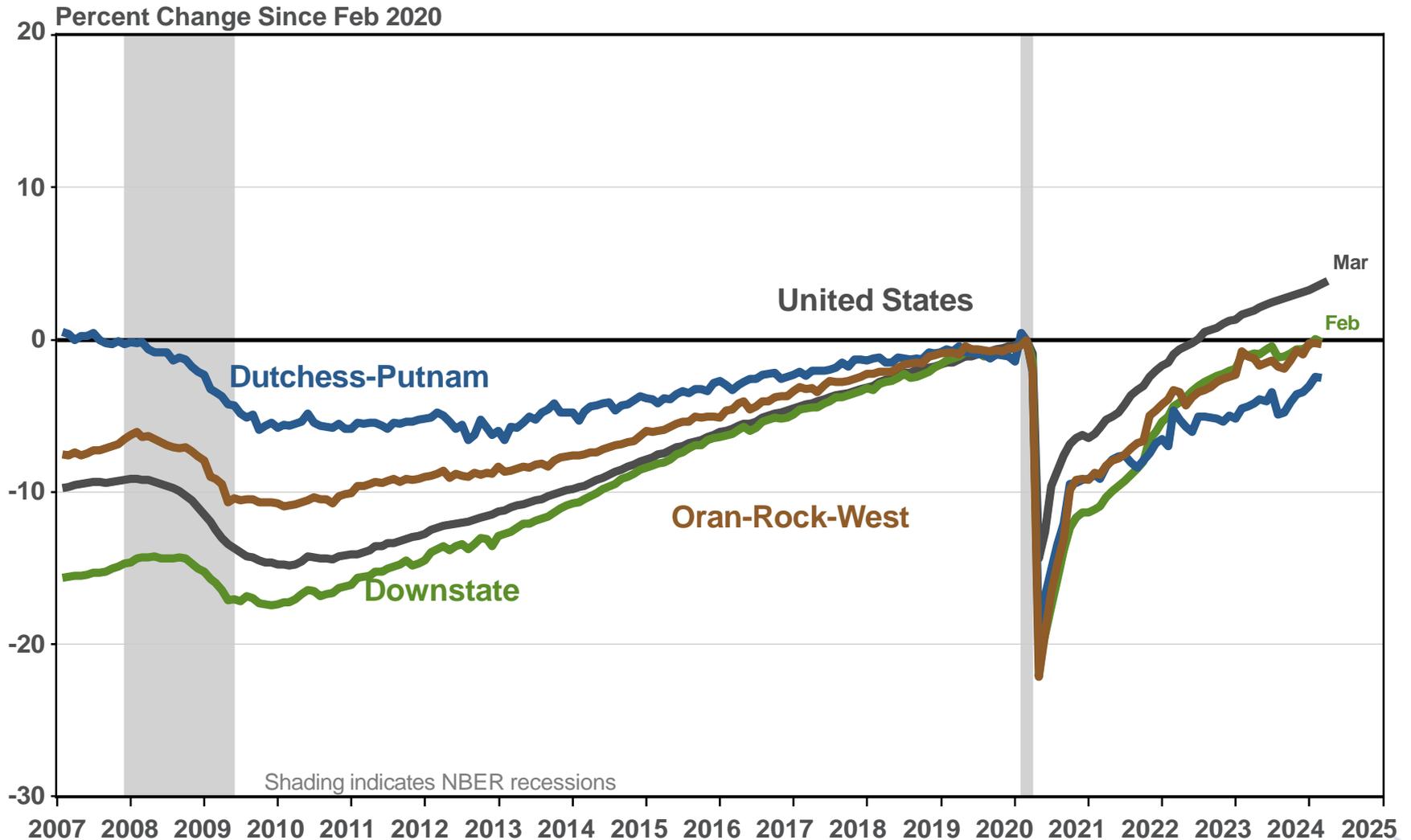
Total Employment

Seasonally Adjusted Index



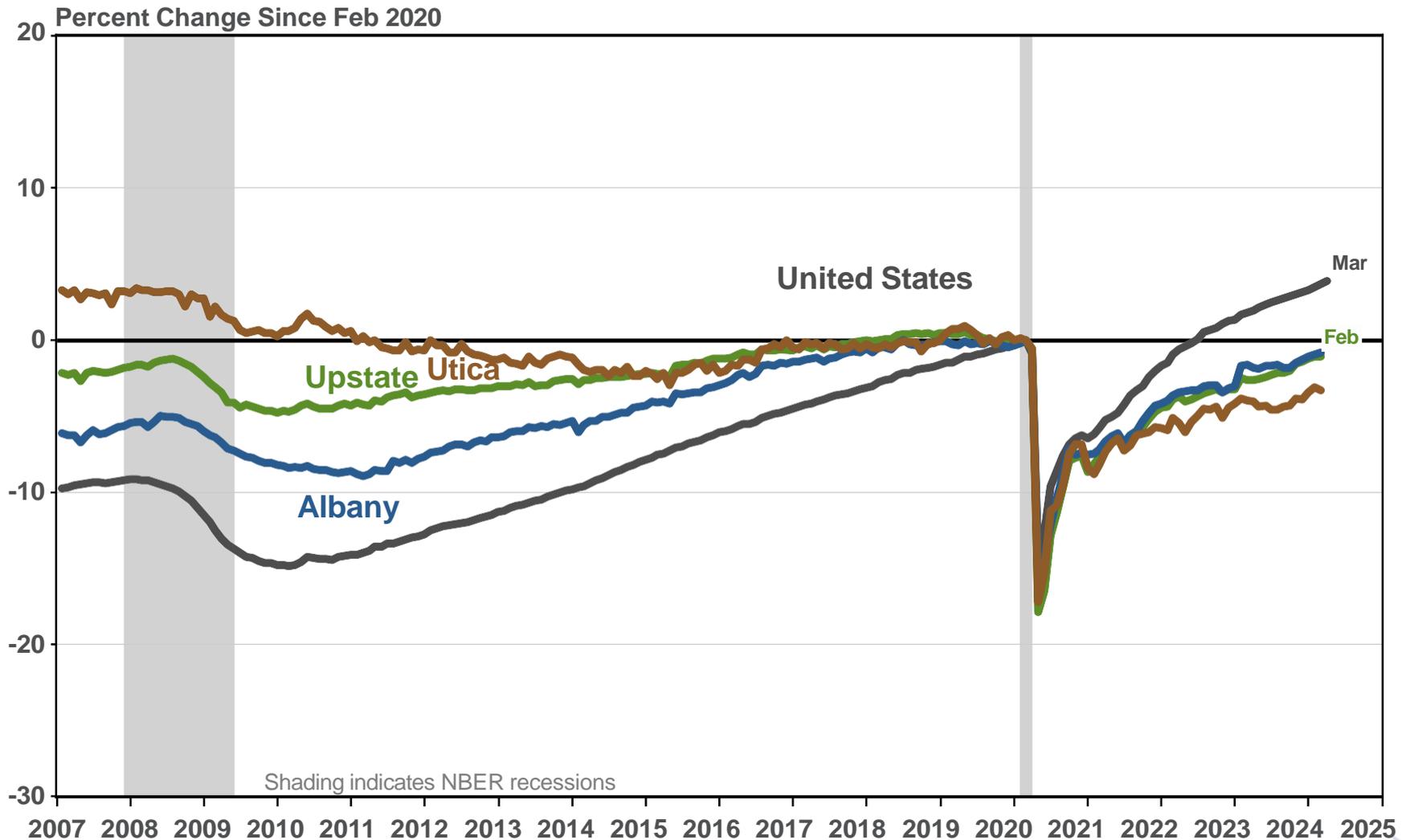
Total Employment

Seasonally Adjusted Index



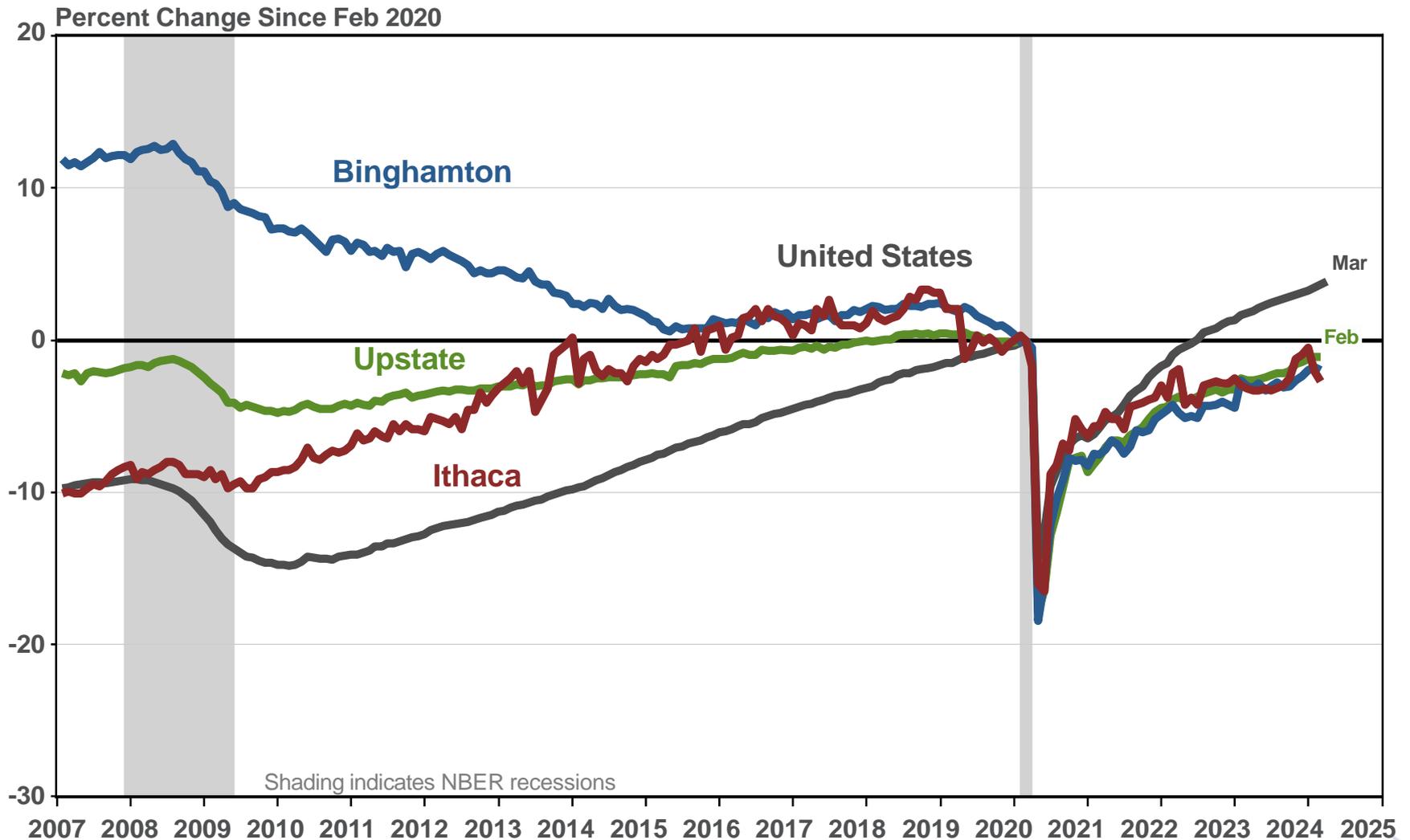
Total Employment

Seasonally Adjusted Index



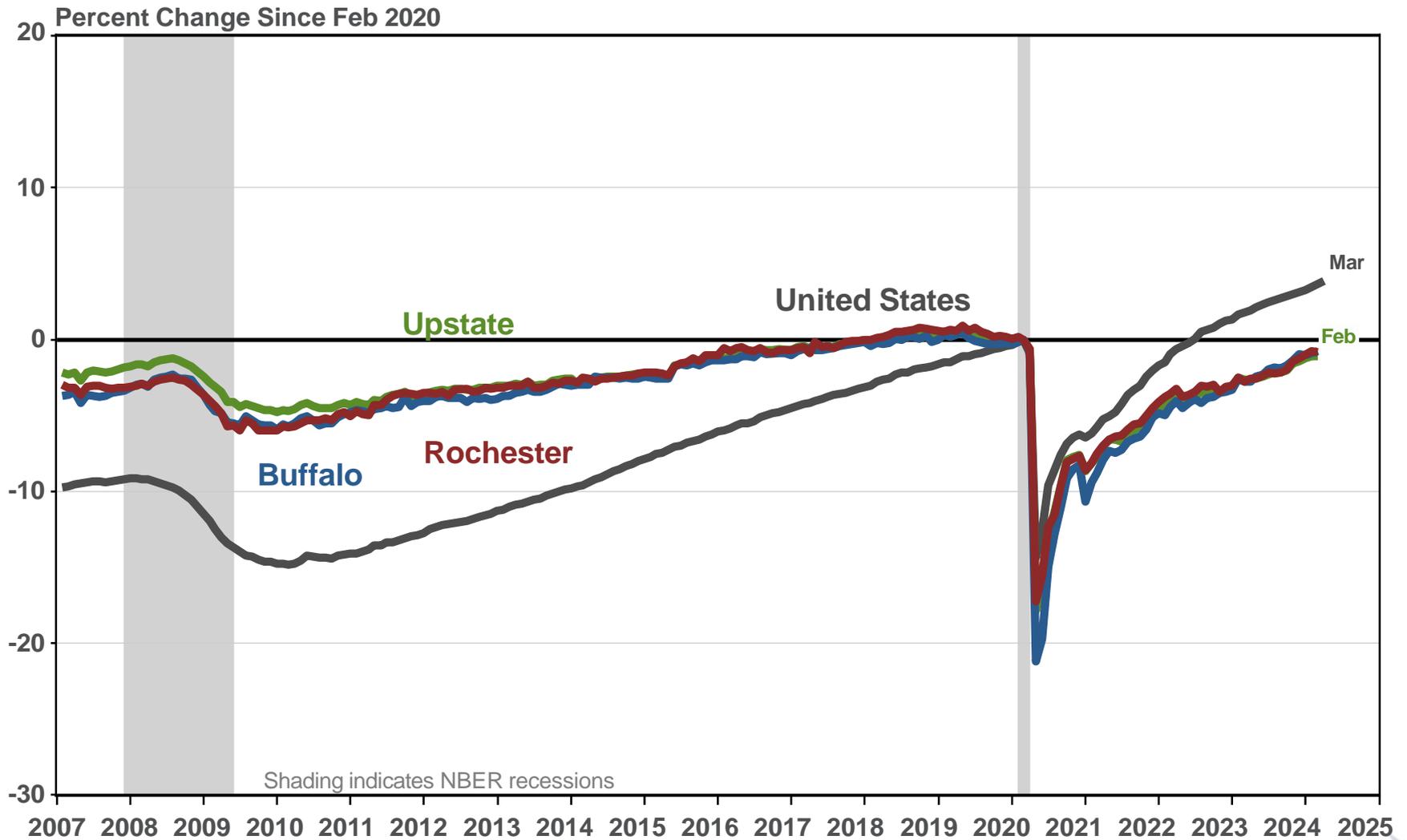
Total Employment

Seasonally Adjusted Index



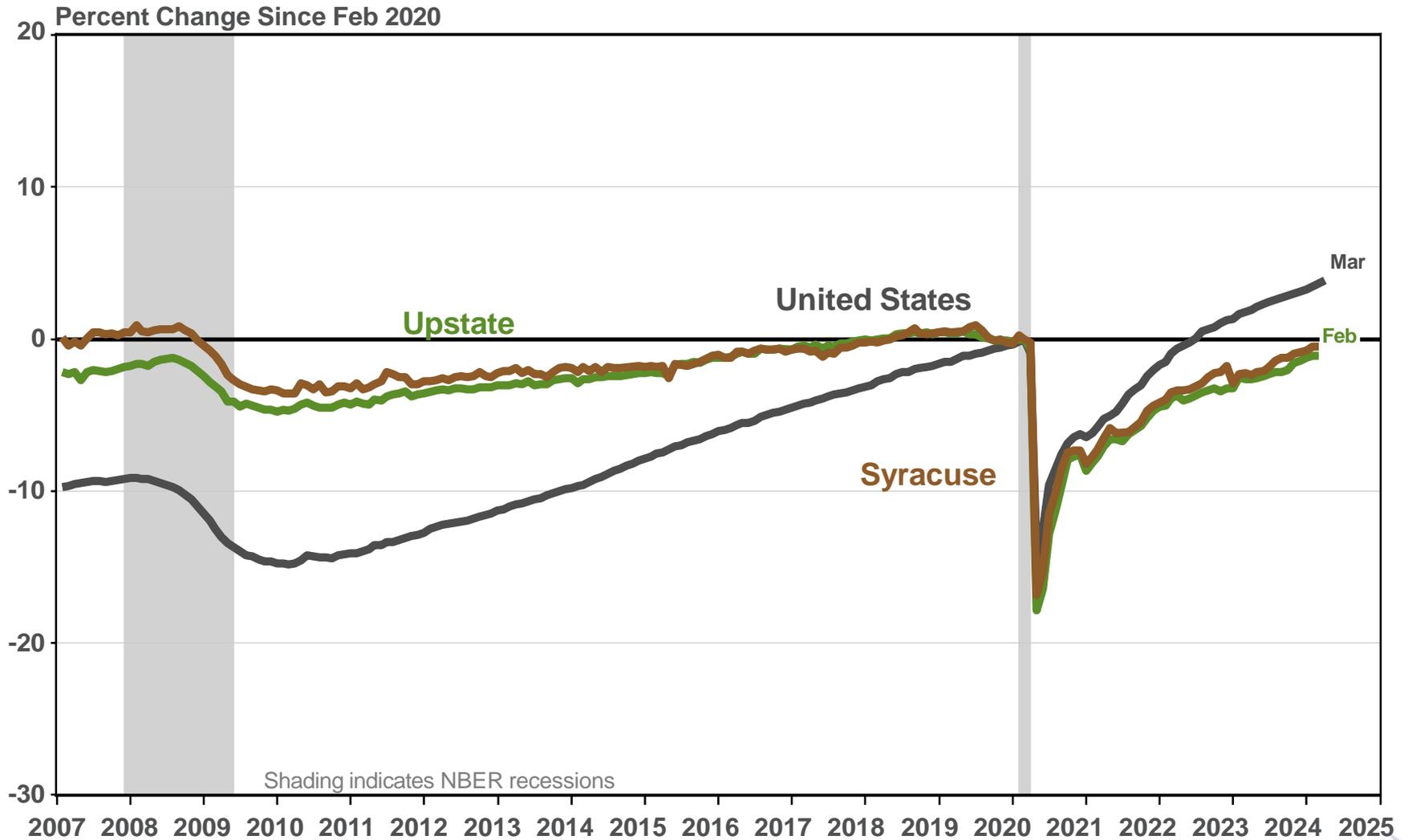
Total Employment

Seasonally Adjusted Index



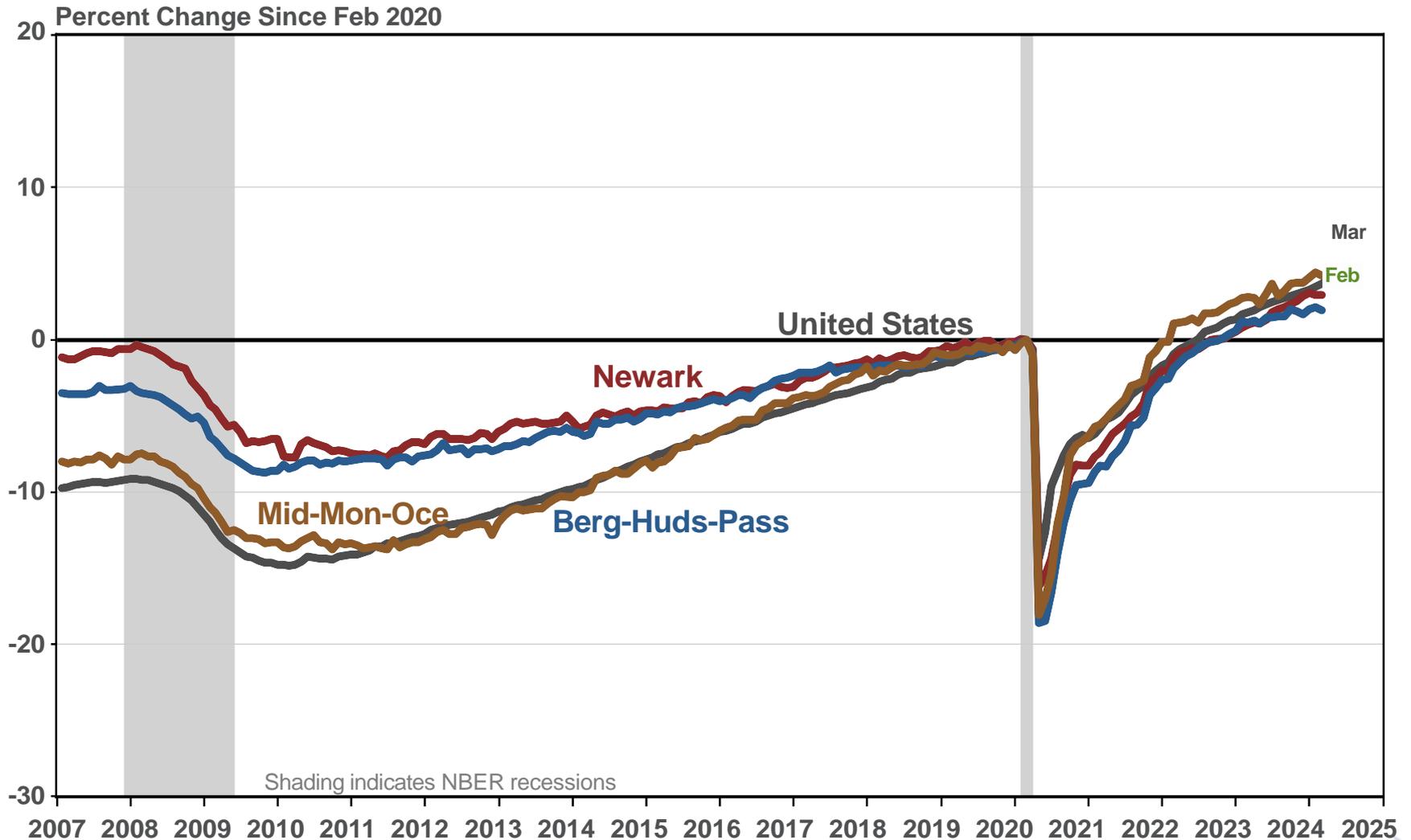
Total Employment

Seasonally Adjusted Index



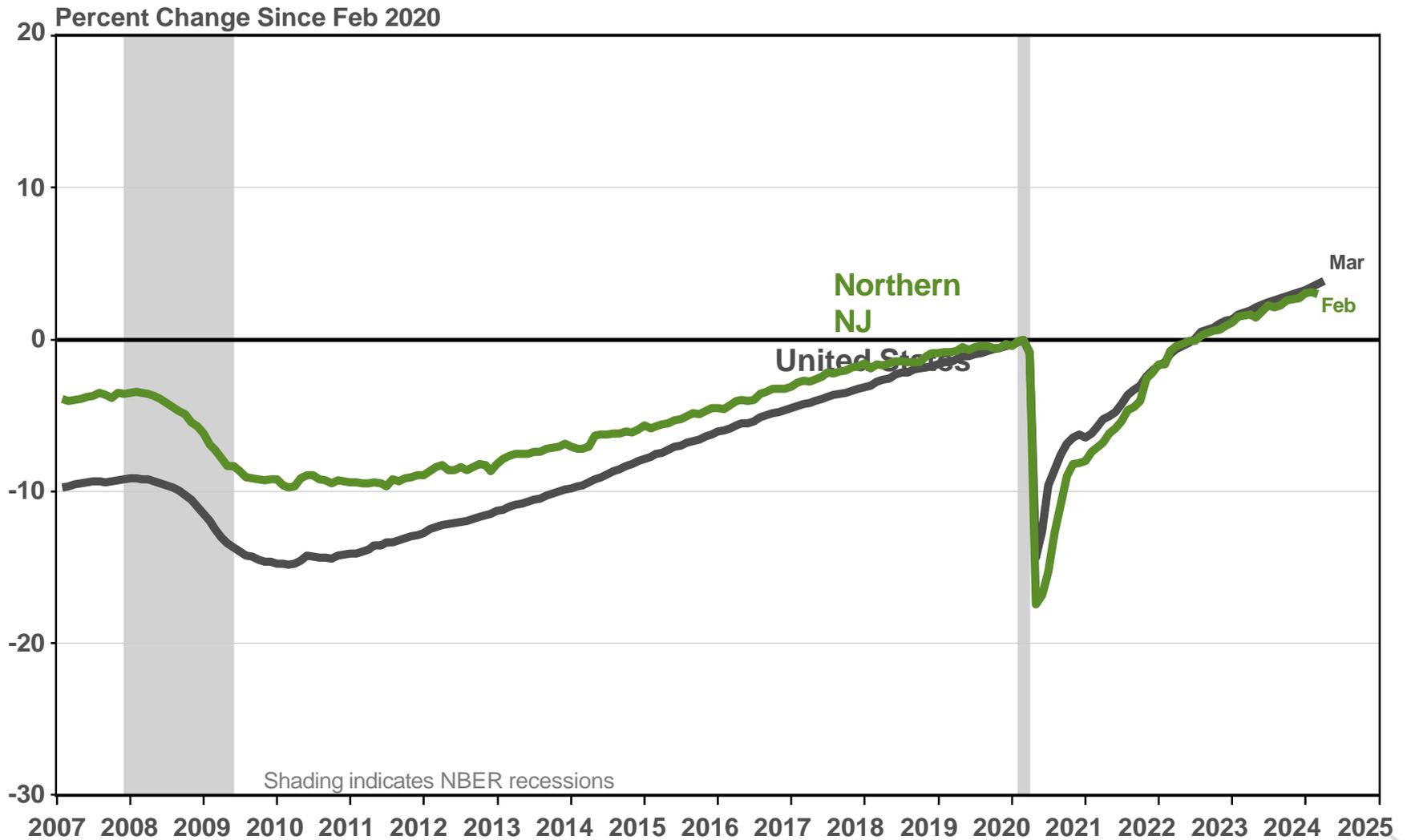
Total Employment

Seasonally Adjusted Index



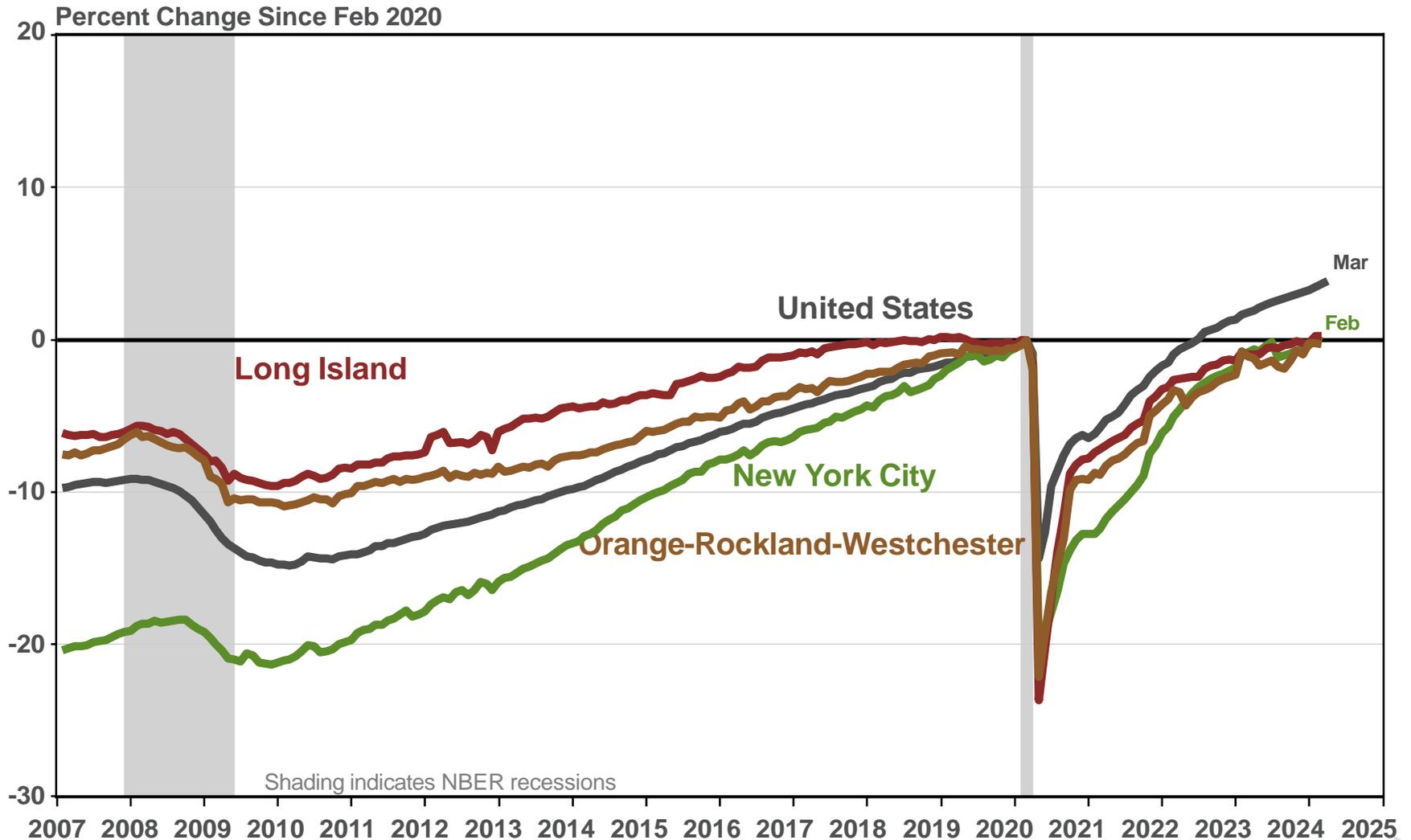
Total Employment

Seasonally Adjusted Index



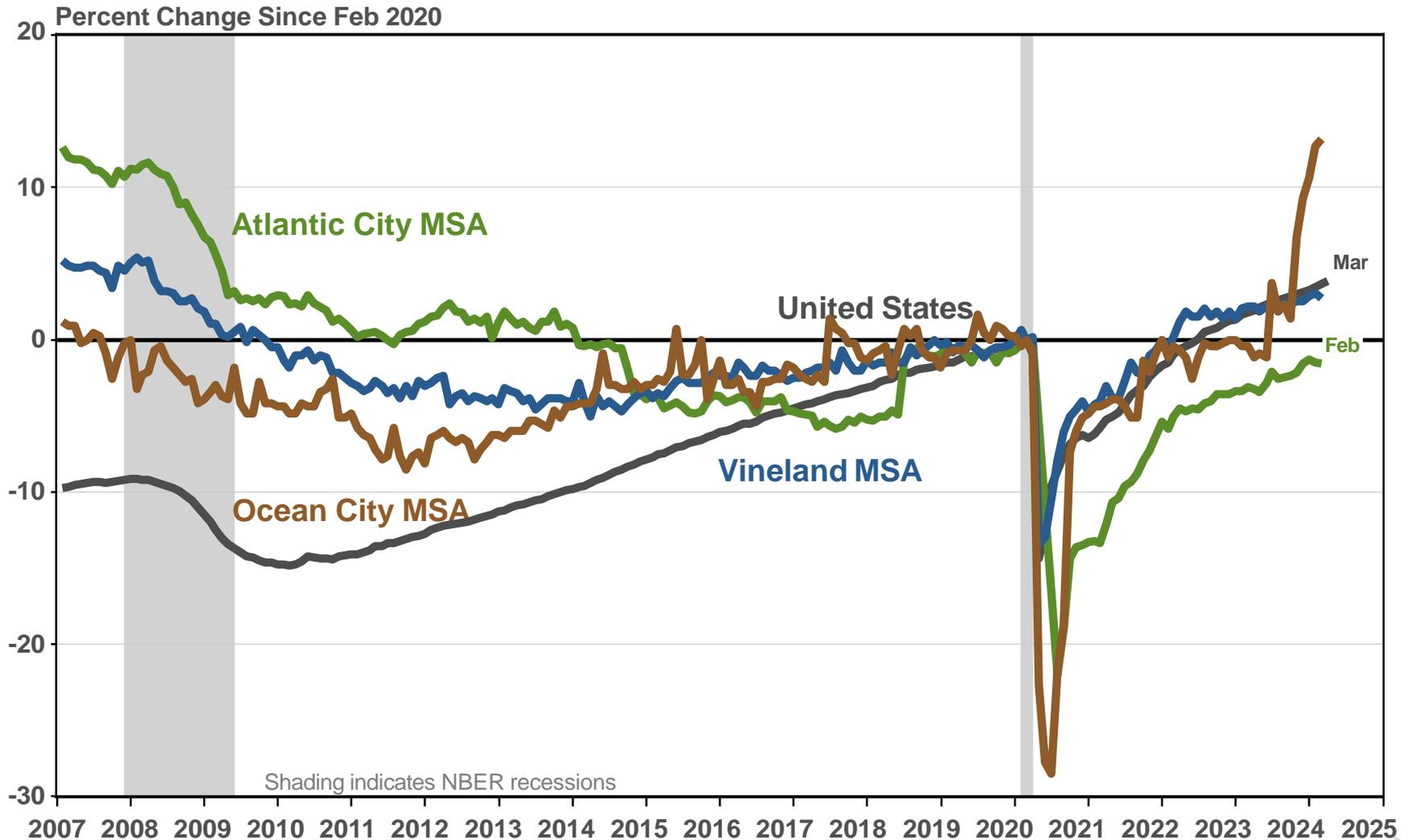
Total Employment

Seasonally Adjusted Index



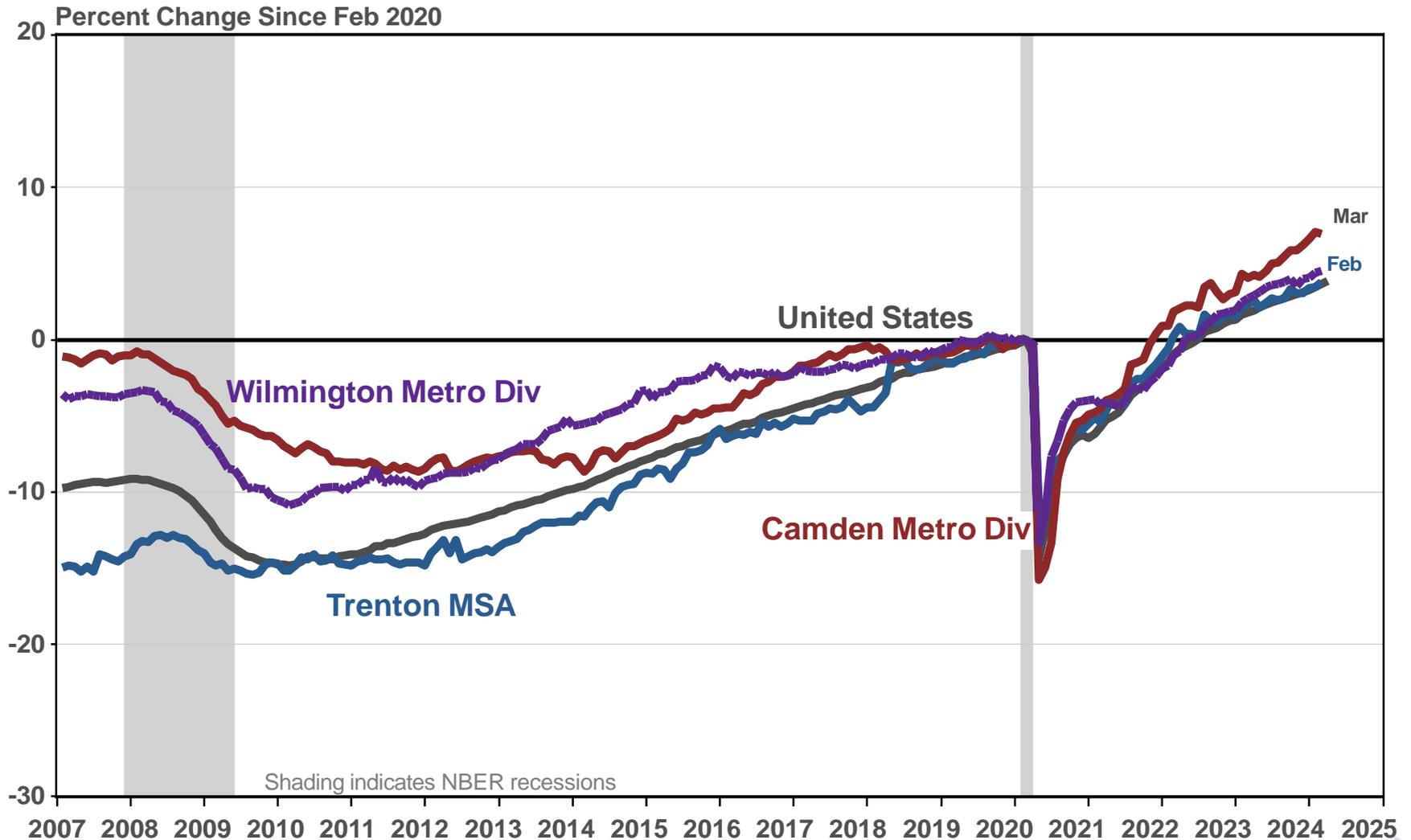
Total Employment

Seasonally Adjusted Index



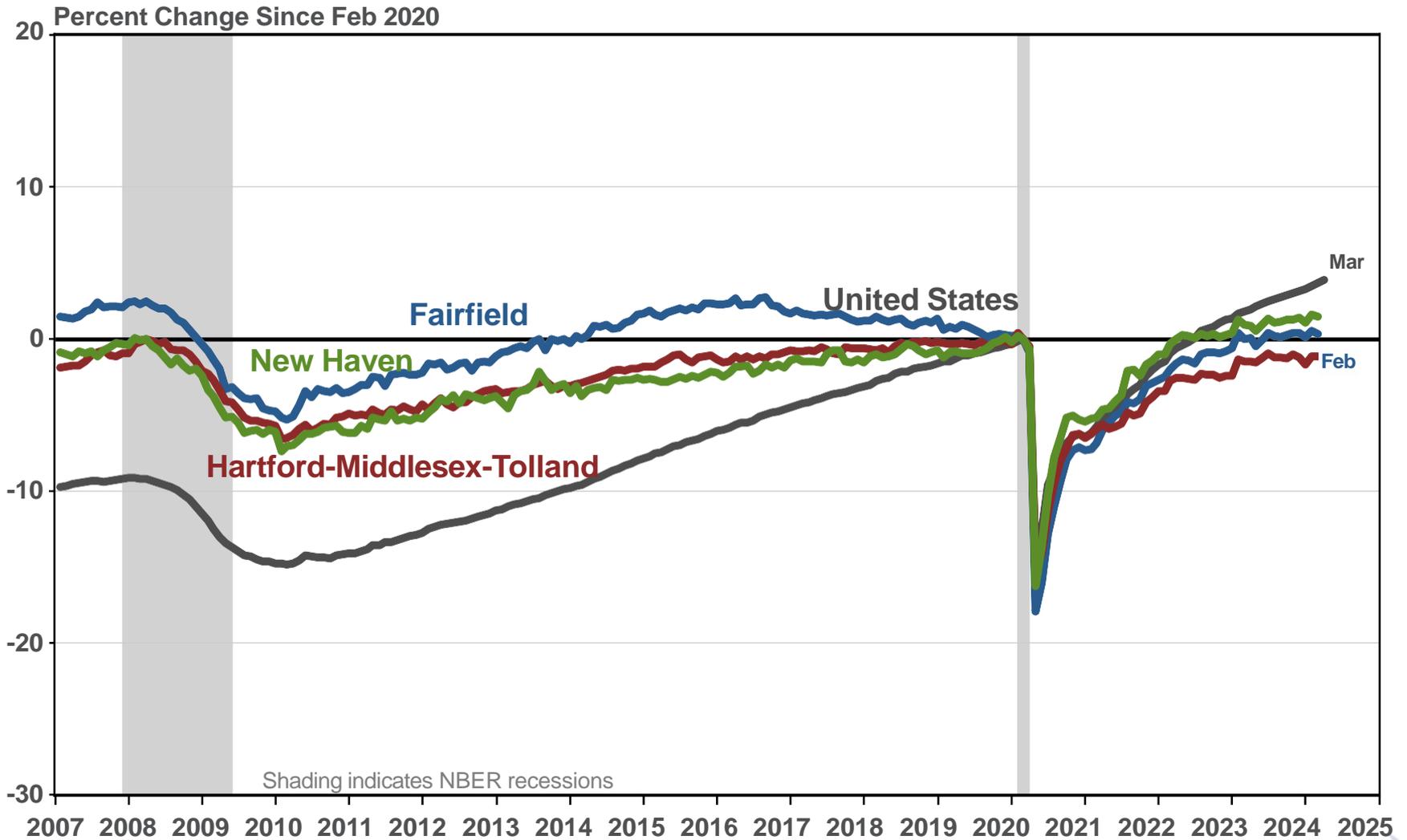
Total Employment

Seasonally Adjusted Index



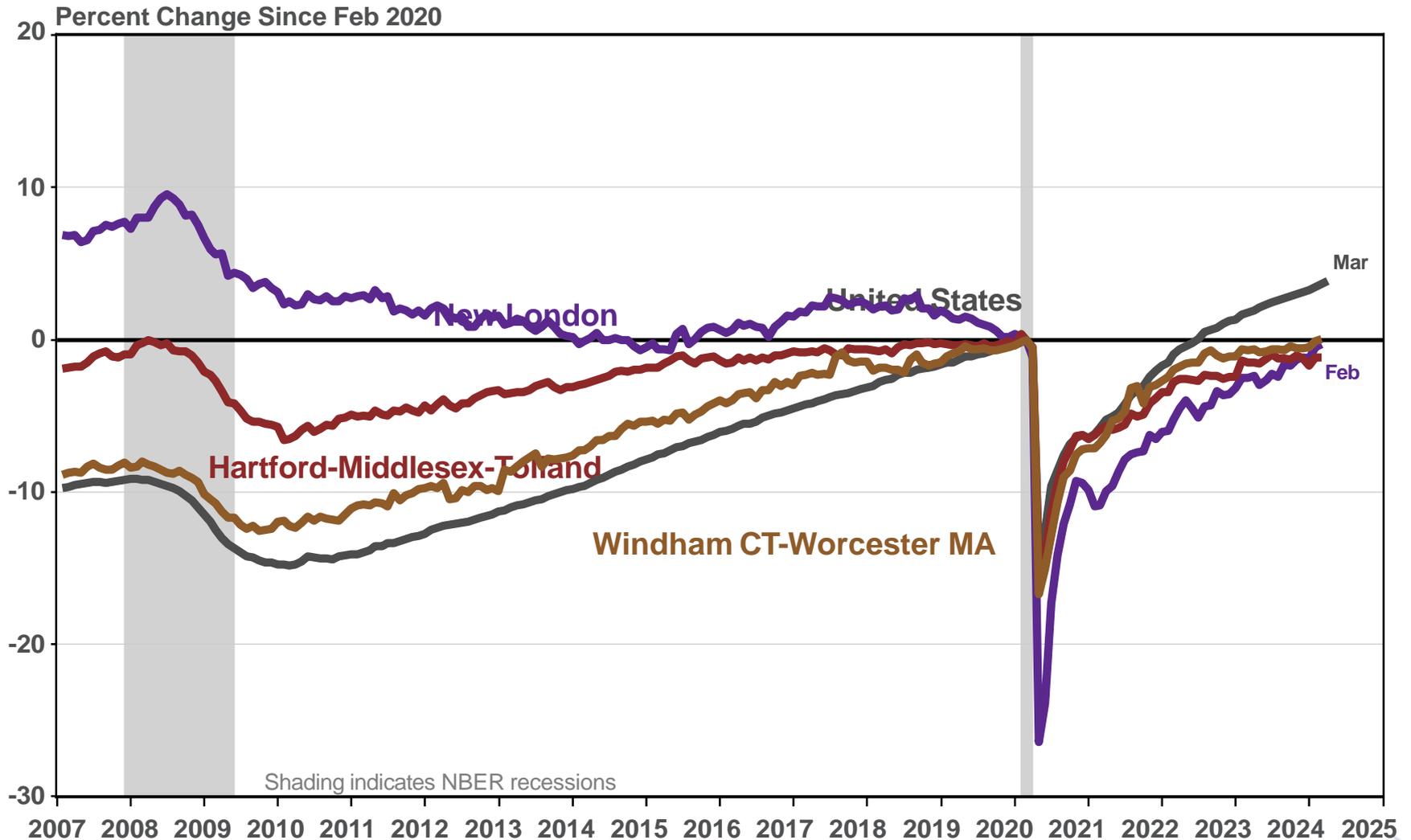
Total Employment

Seasonally Adjusted Index



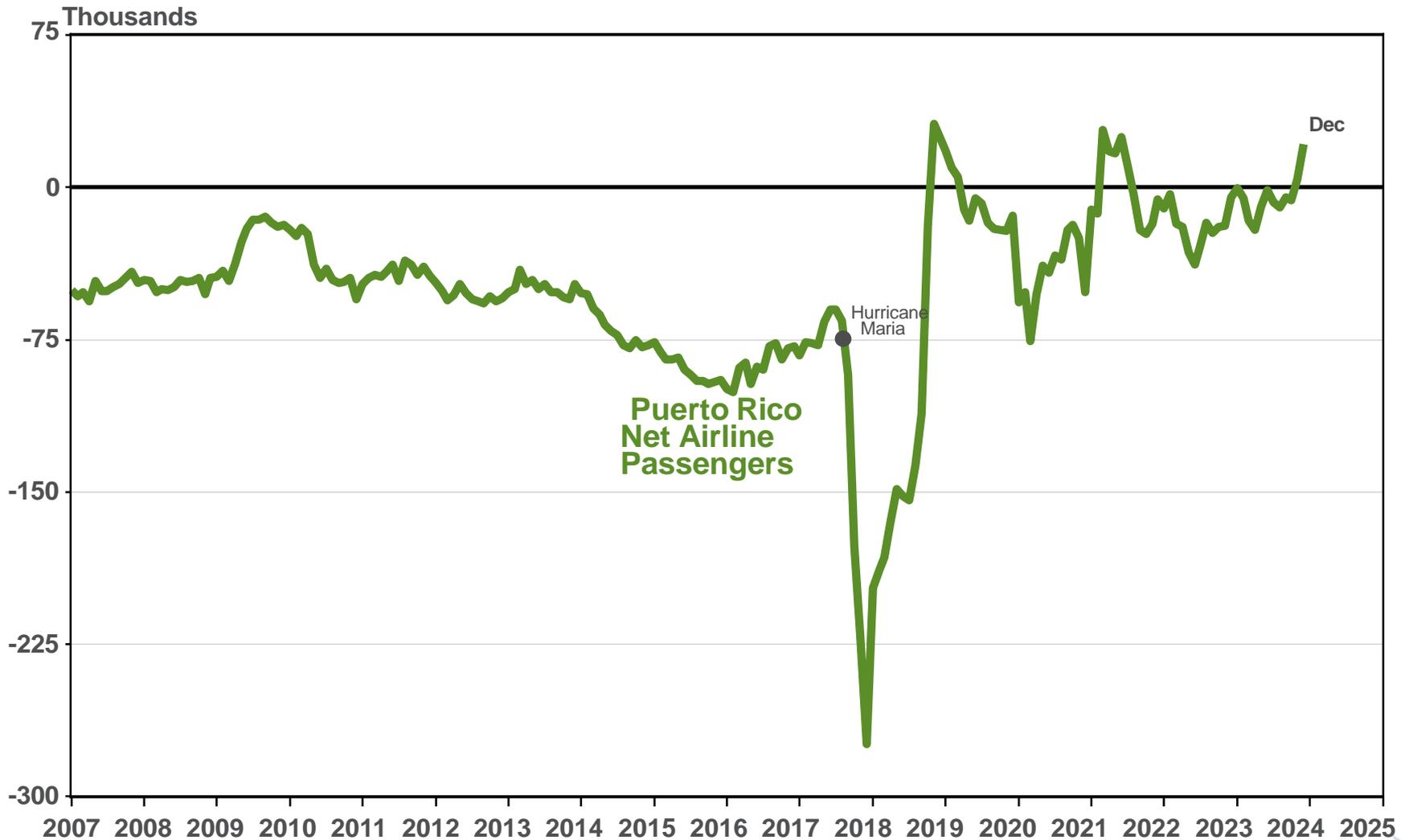
Total Employment

Seasonally Adjusted Index



Puerto Rico Airline Passengers

Net Domestic Passengers, 12-Month Rolling Sum



U.S. Virgin Islands Airline Passengers

Net Domestic Passengers, 12-Month Rolling Sum



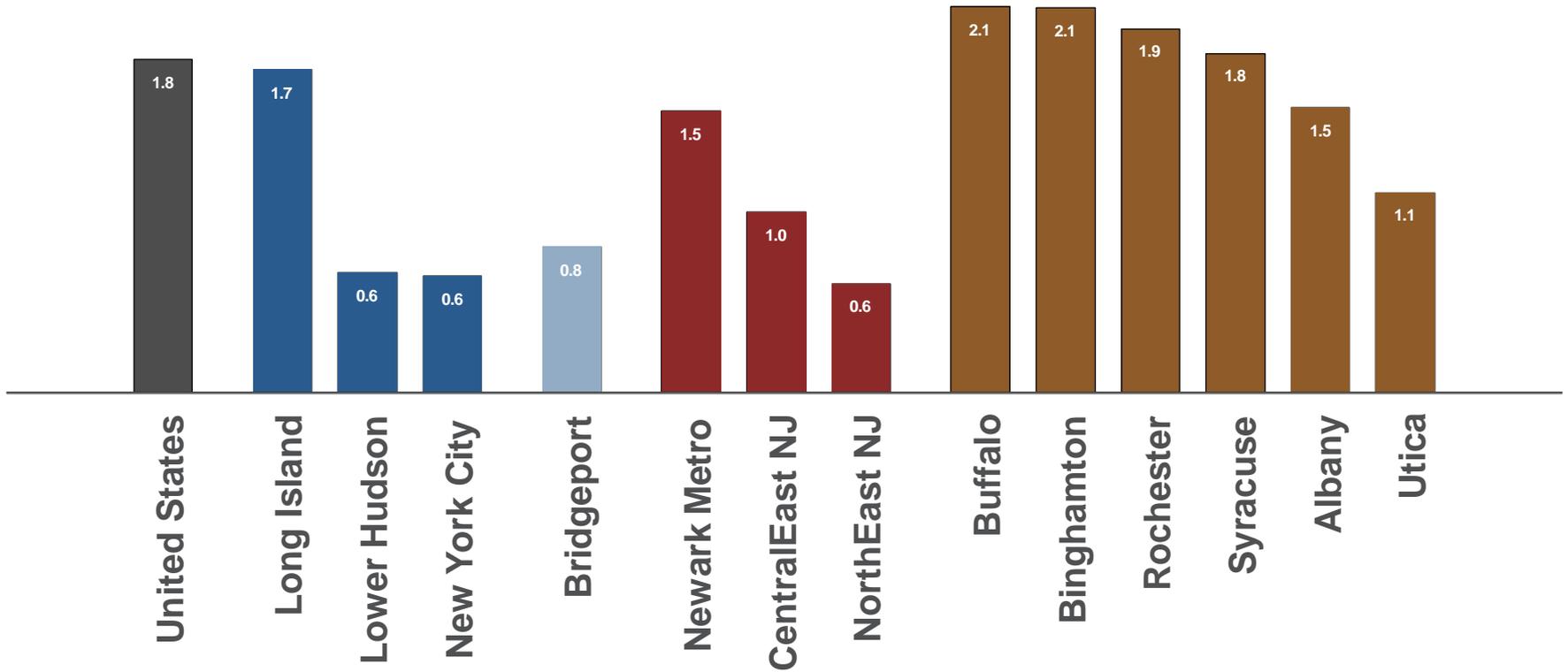
U.S. Virgin Islands
Net Airline
Passengers

Hurricanes
Irma & Maria

Dec

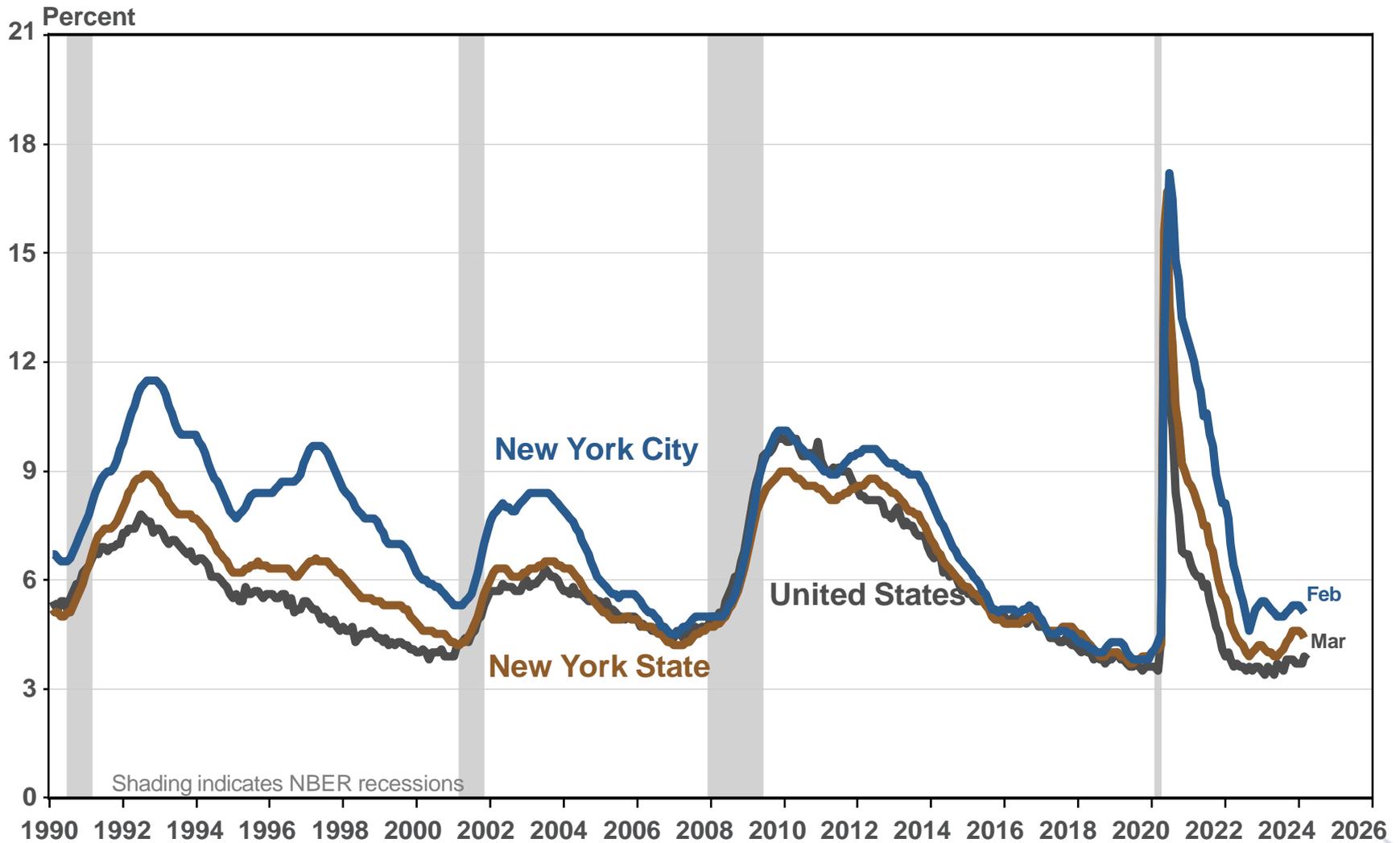
Total Employment by Region

Year-Over-Year Percent Change, February 2024



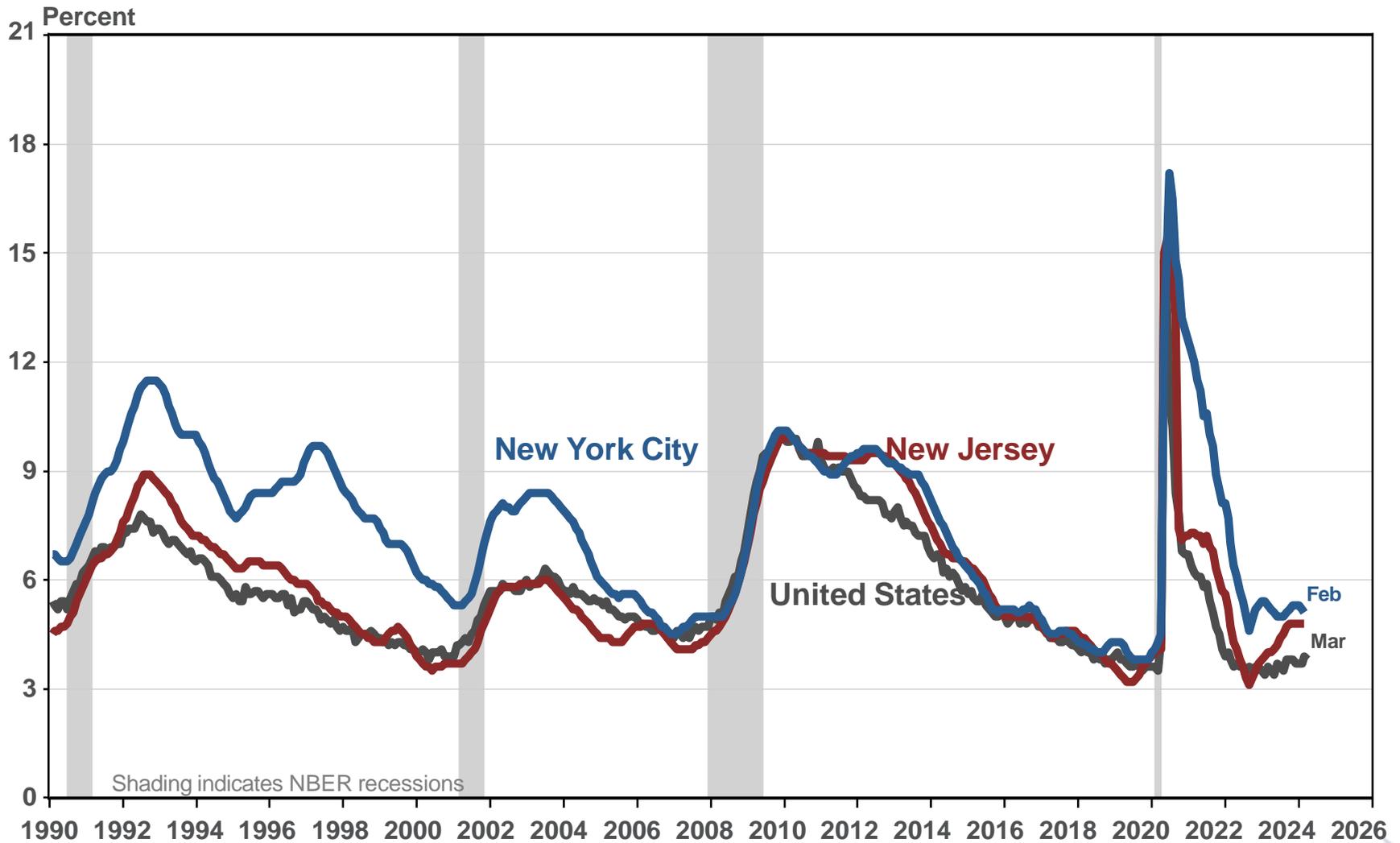
Unemployment Rates

Seasonally Adjusted



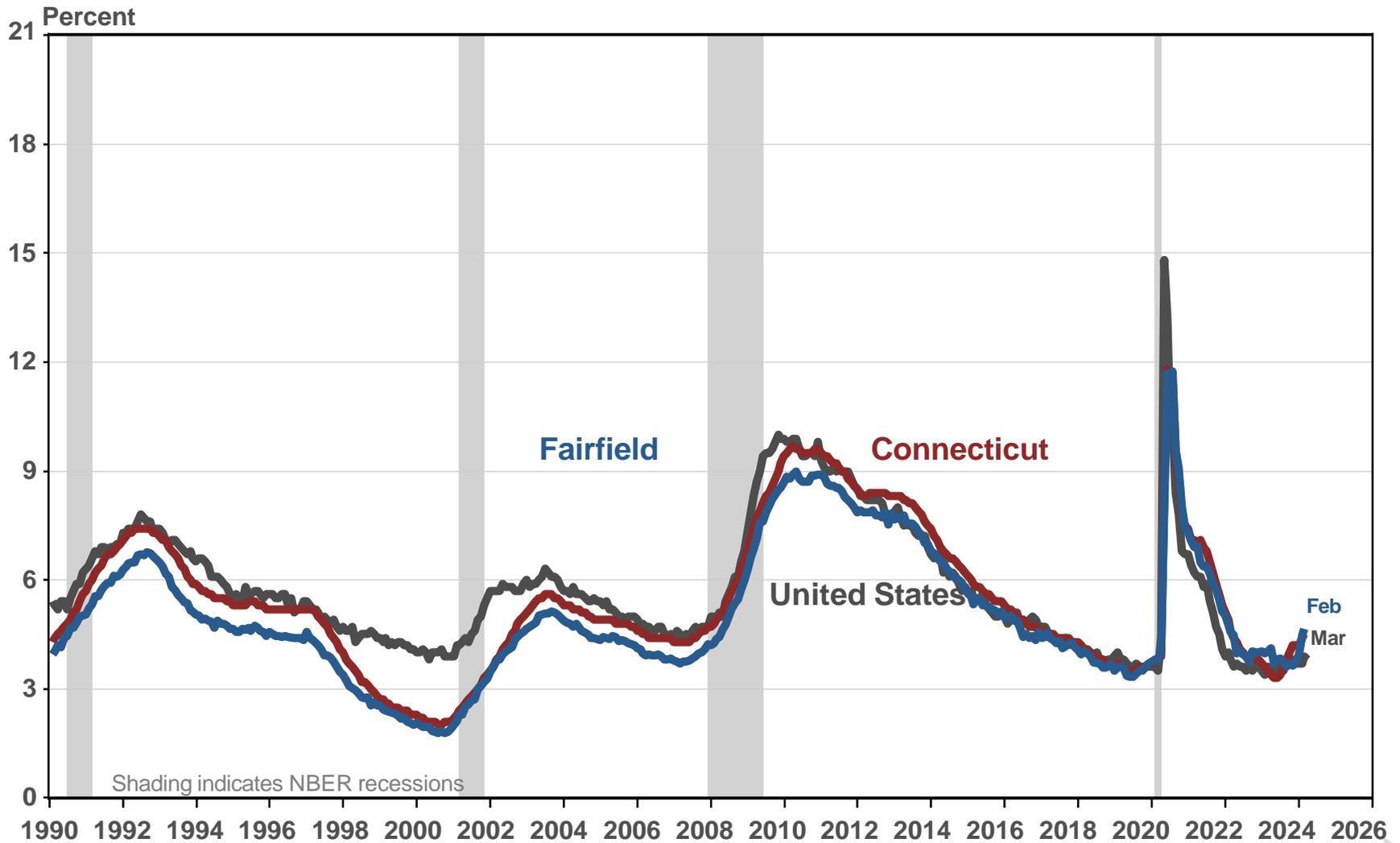
Unemployment Rates

Seasonally Adjusted



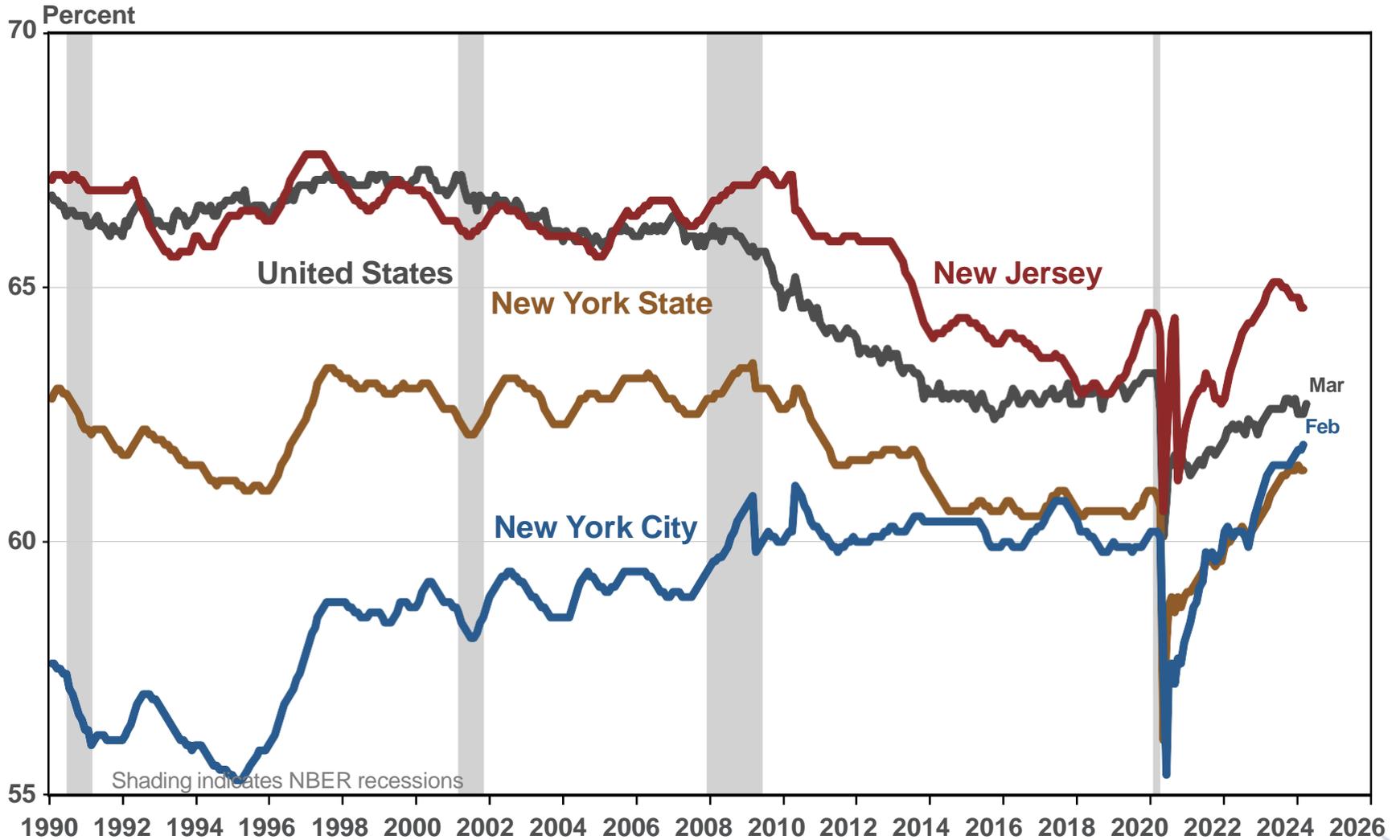
Unemployment Rates

Seasonally Adjusted



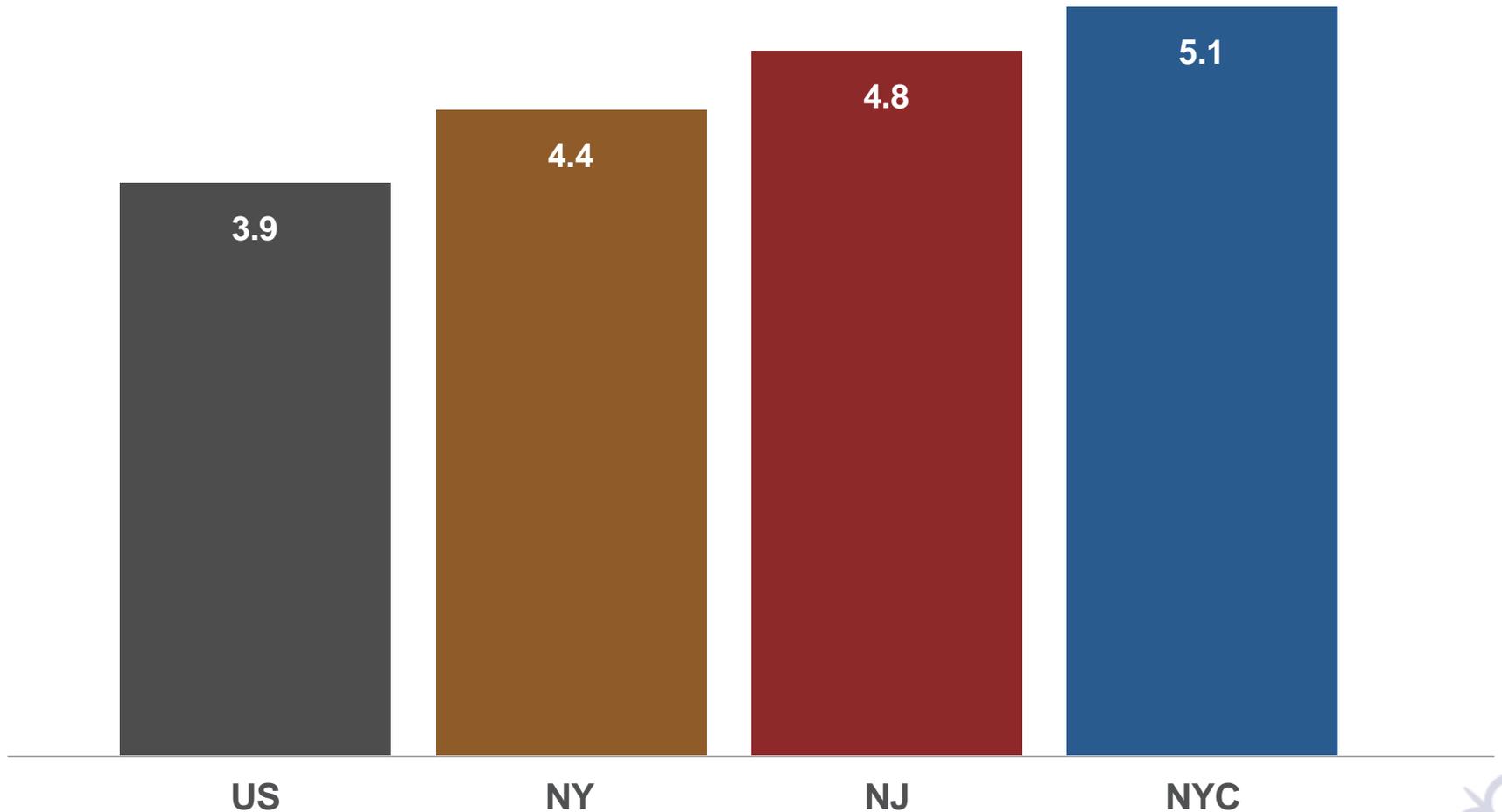
Labor Force Participation

Seasonally Adjusted



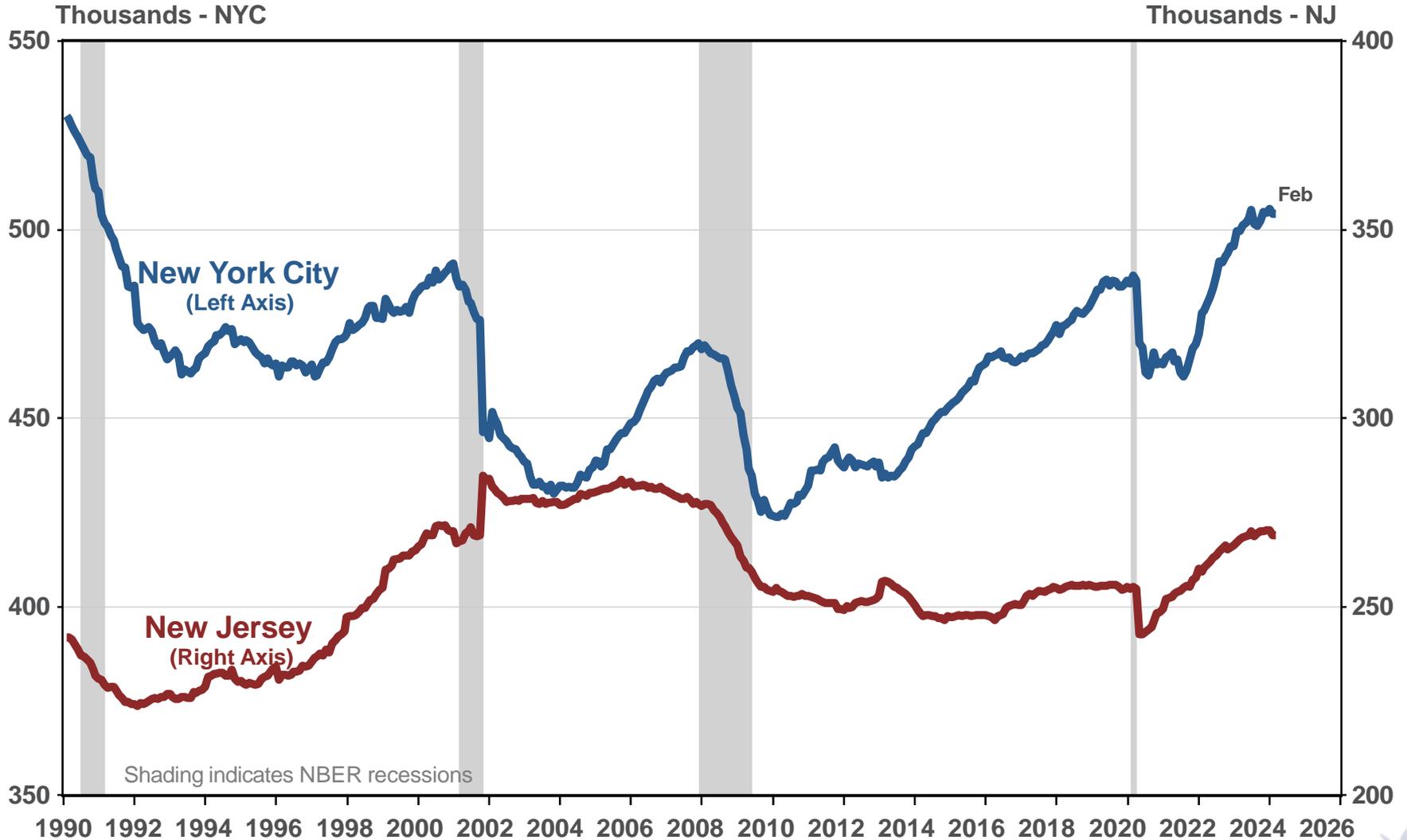
Unemployment Rates

Seasonally Adjusted, February 2024



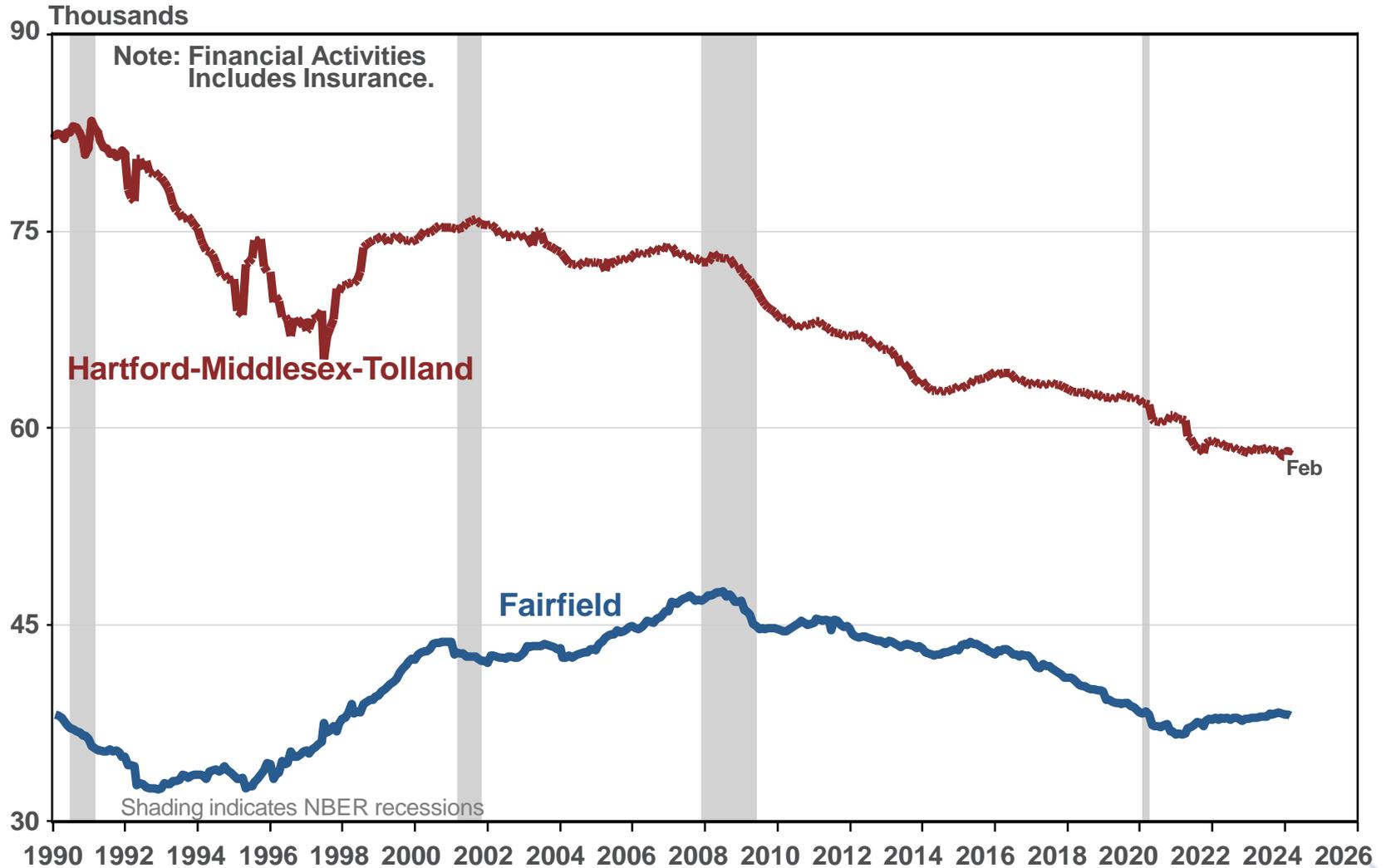
Financial Activities Employment

Seasonally Adjusted



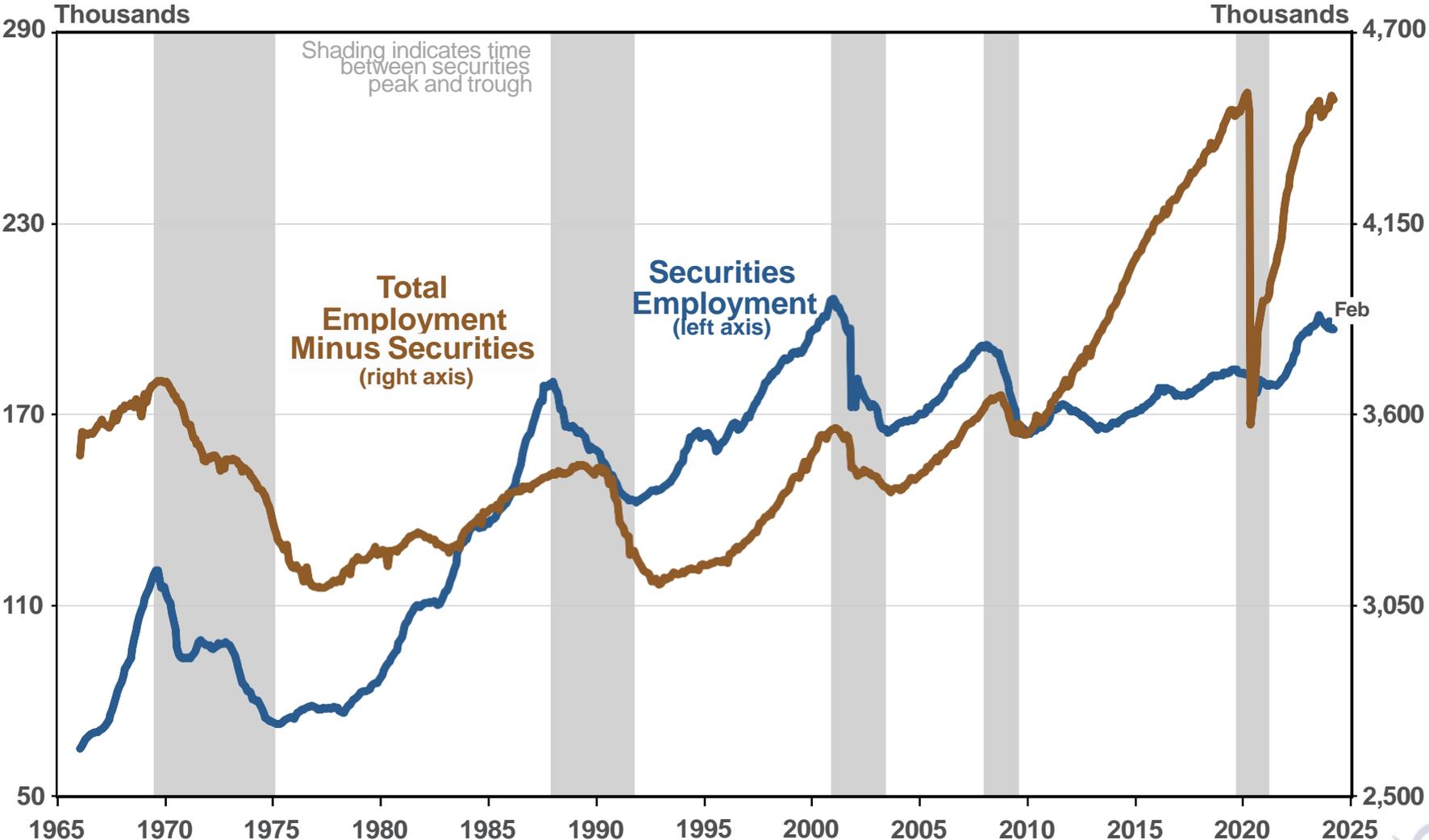
Financial Activities Employment

Seasonally Adjusted



NYC Securities Employment

Seasonally Adjusted Levels

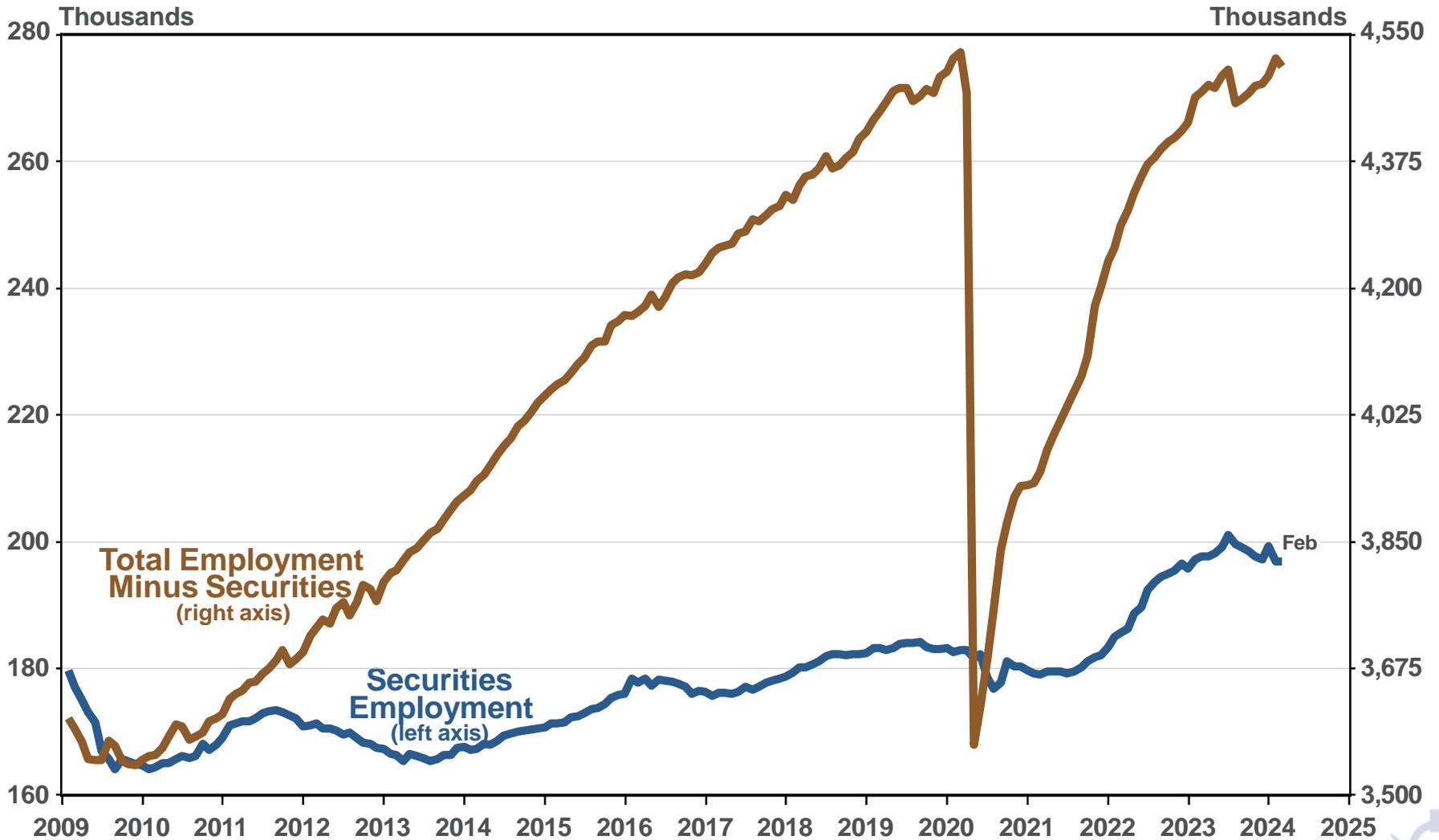


Source: Bureau of Labor Statistics, Moody's Economy.com, and FRBNY calculations.



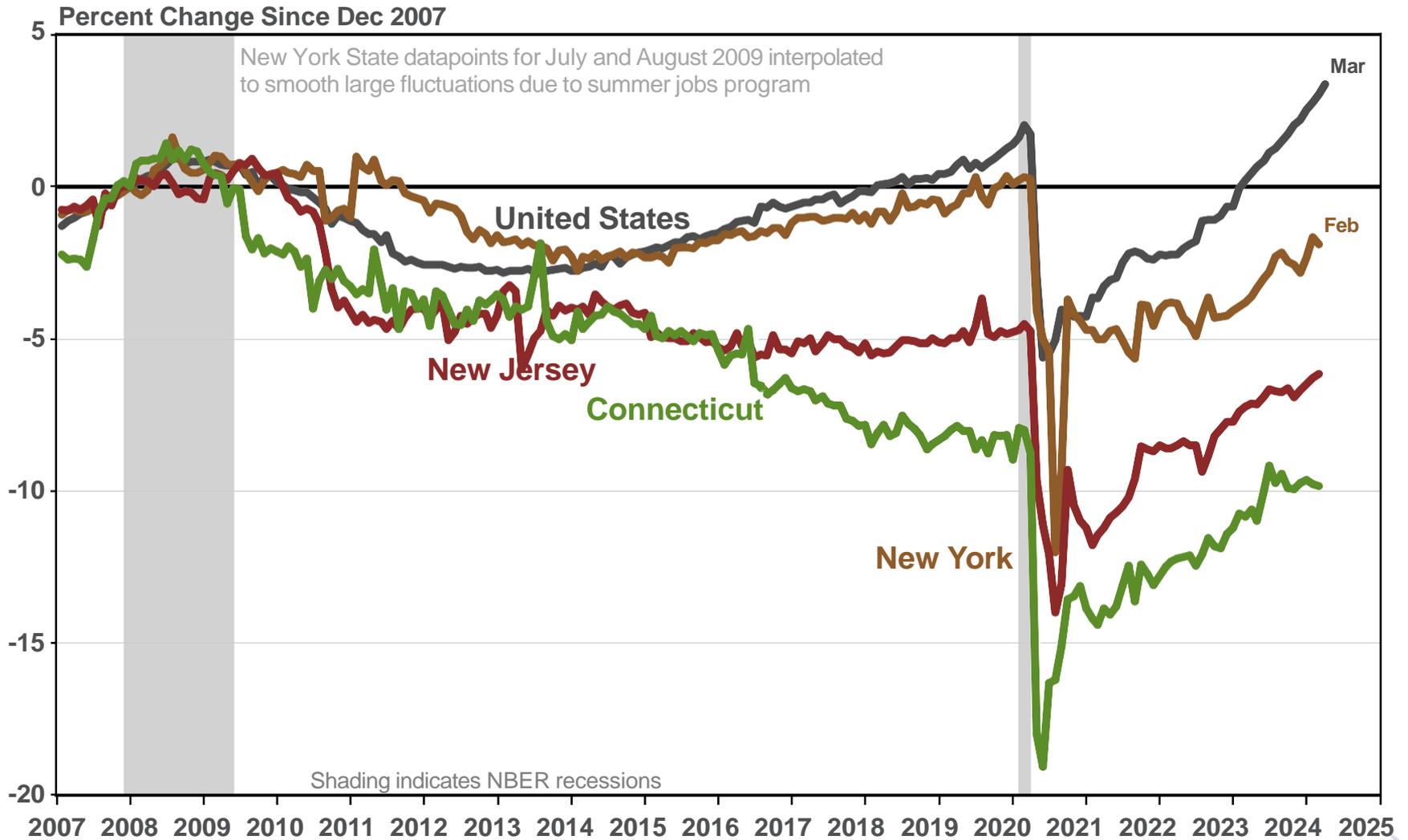
Recent NYC Securities Employment

Seasonally Adjusted Levels



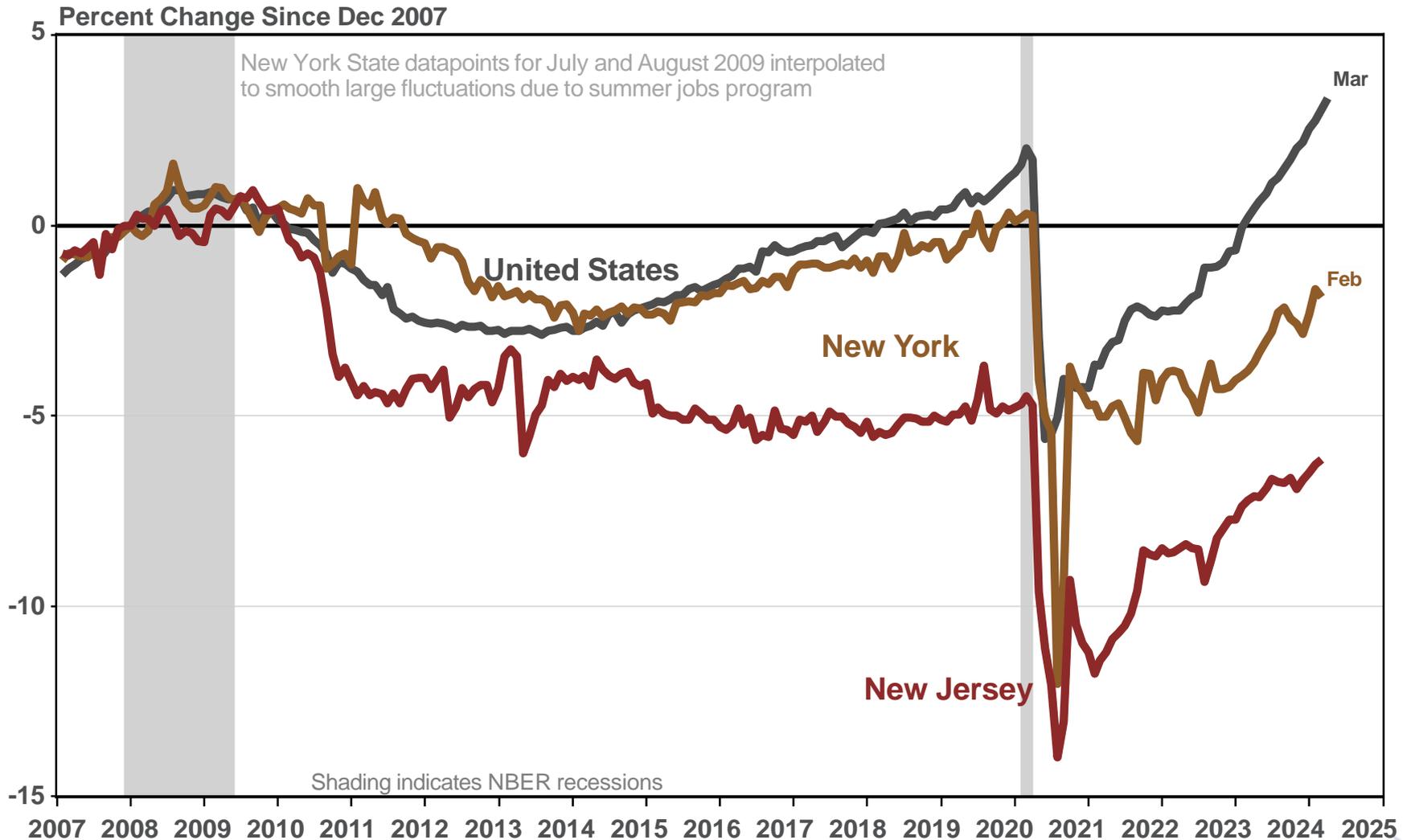
State and Local Government Employment

Seasonally Adjusted Index



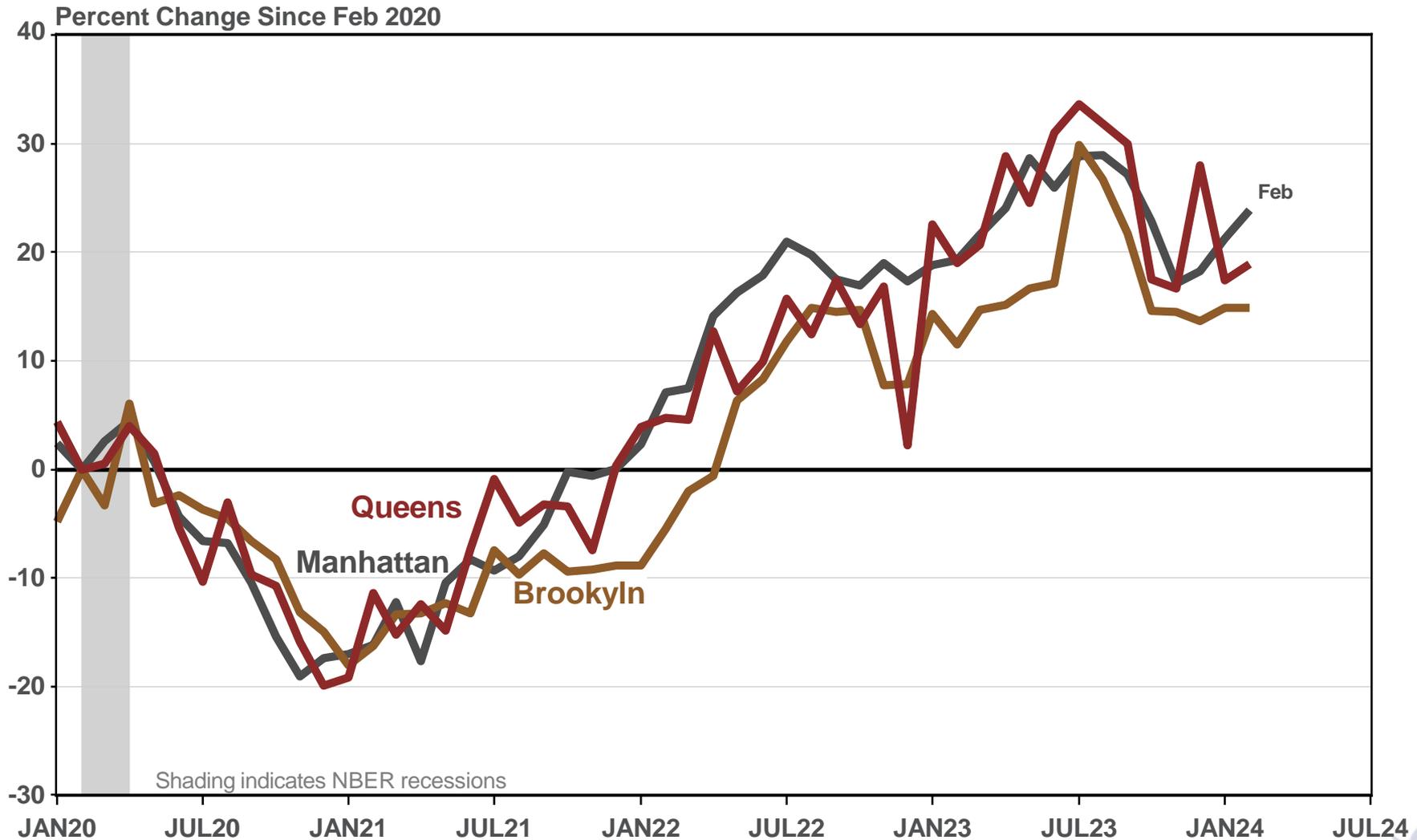
State and Local Government Employment

Seasonally Adjusted Index



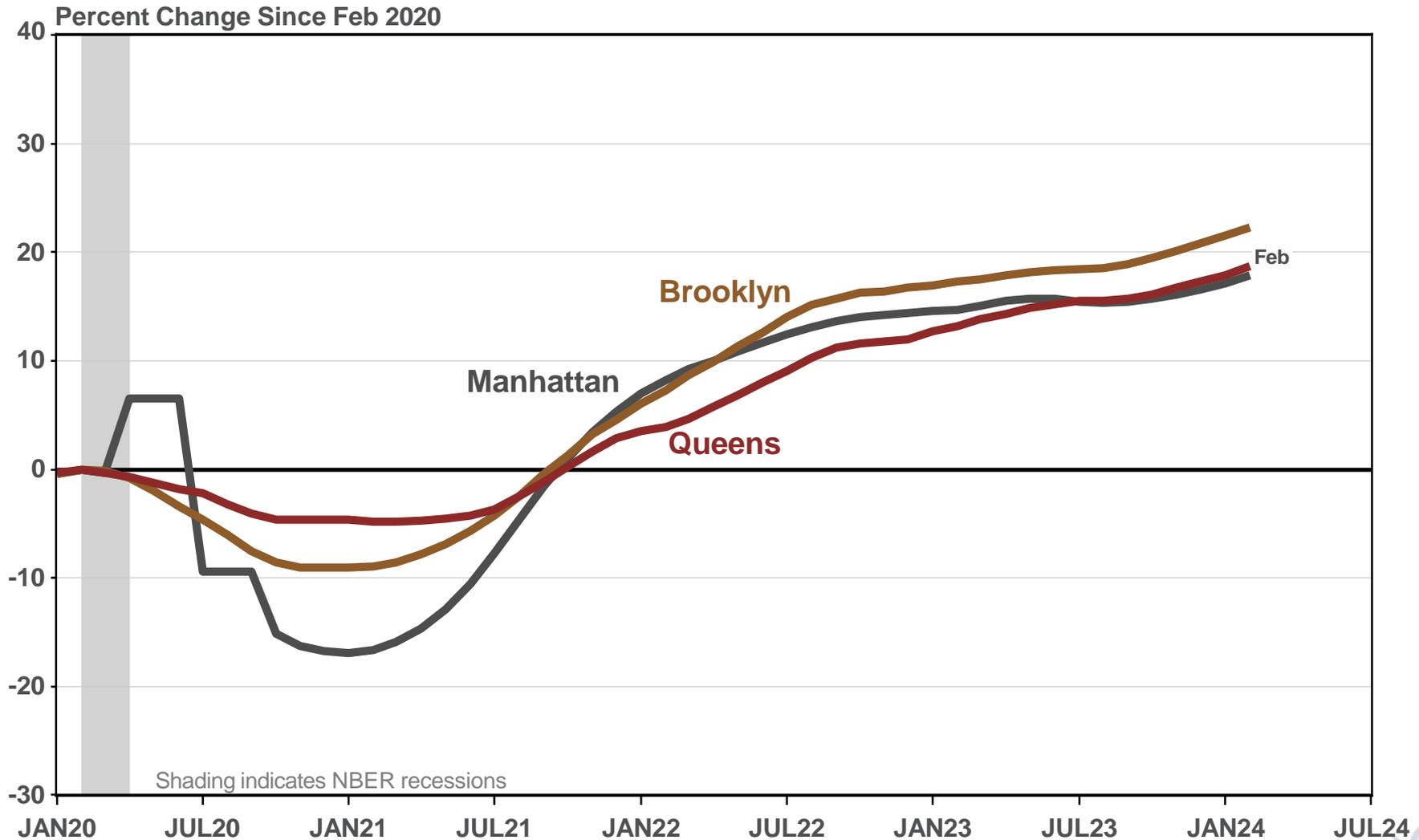
NYC Rentals With Concessions

Indexed to February 2020



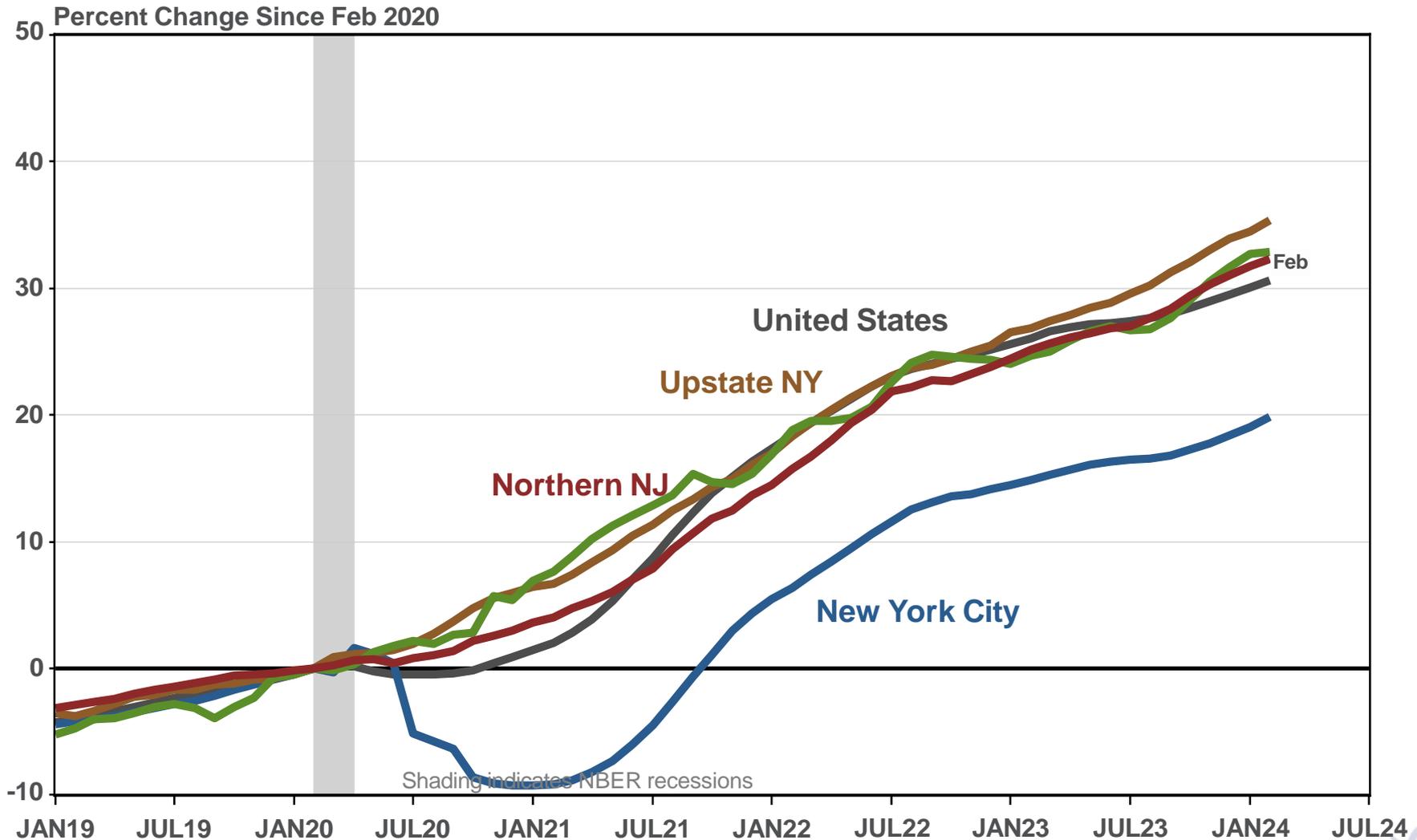
Zillow Observed Rent Index (ZORI)

Percent Change in Rental Prices Since Feb 2020



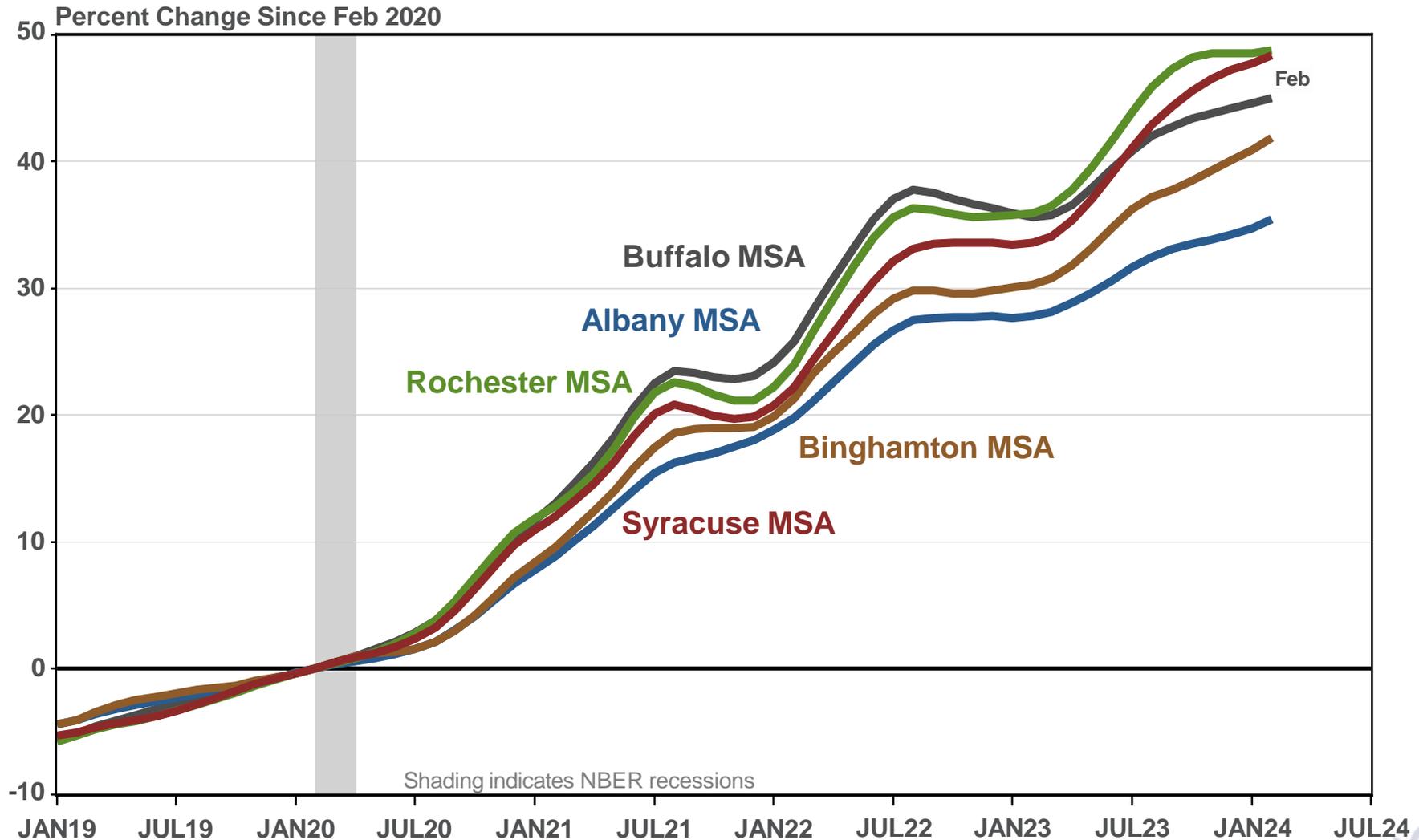
Zillow Observed Rent Index (ZORI)

Percent Change in Rental Prices Since Feb 2020



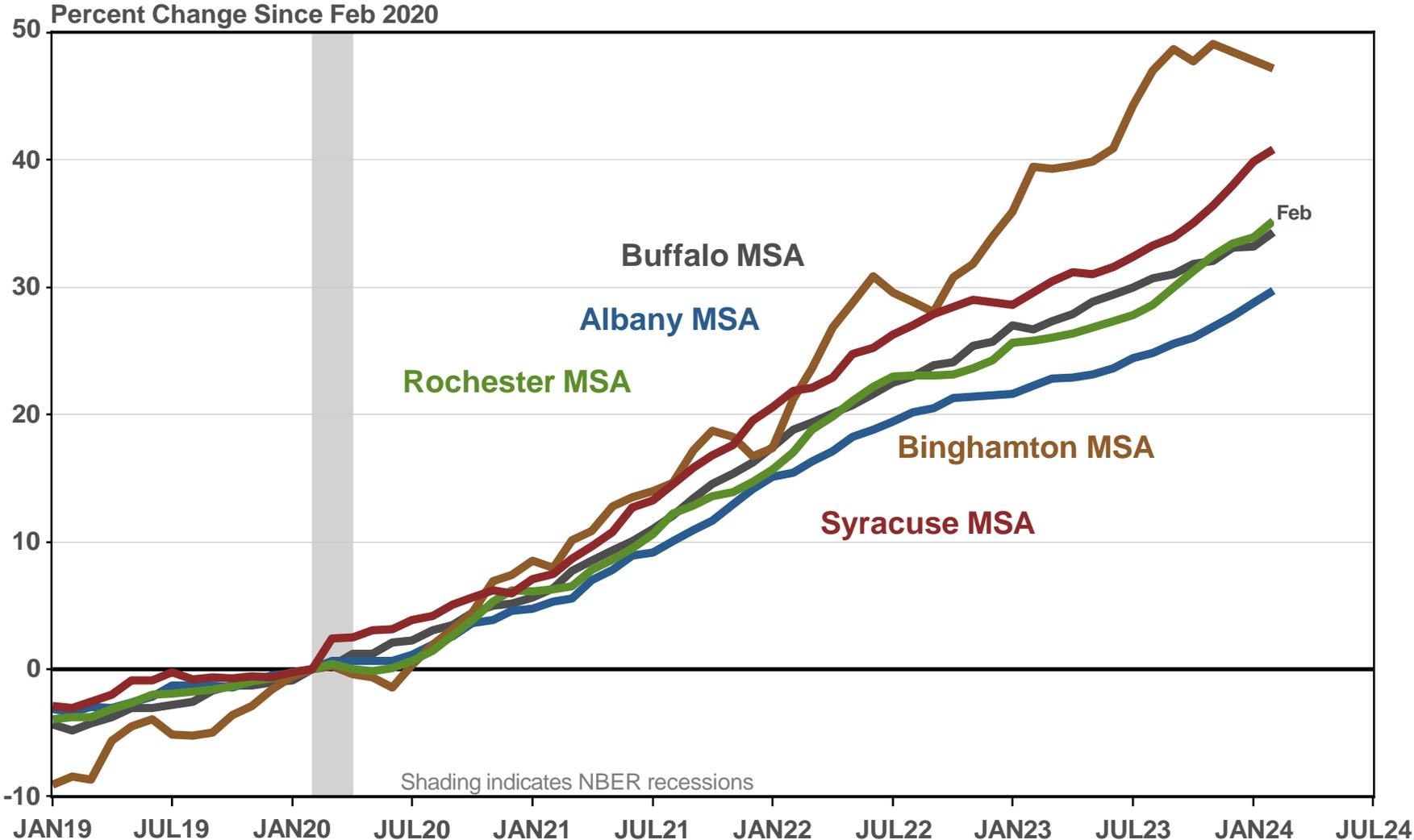
Zillow Home Value Index (ZHVI)

Percent Change in Home Prices Since Feb 2020



Zillow Observed Rent Index (ZORI)

Percent Change in Rental Prices Since Feb 2020

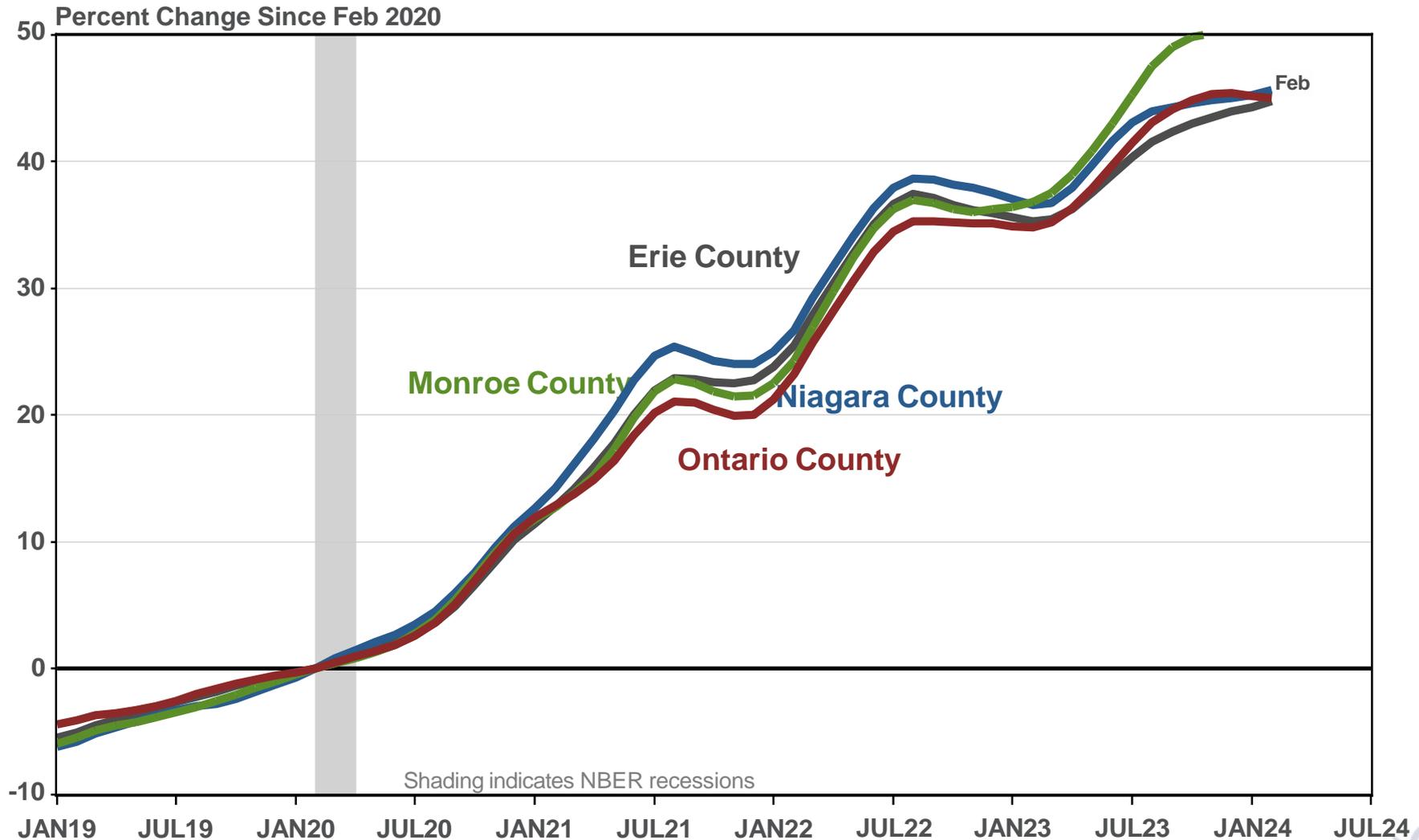


Source: Zillow Observed Rent Index.



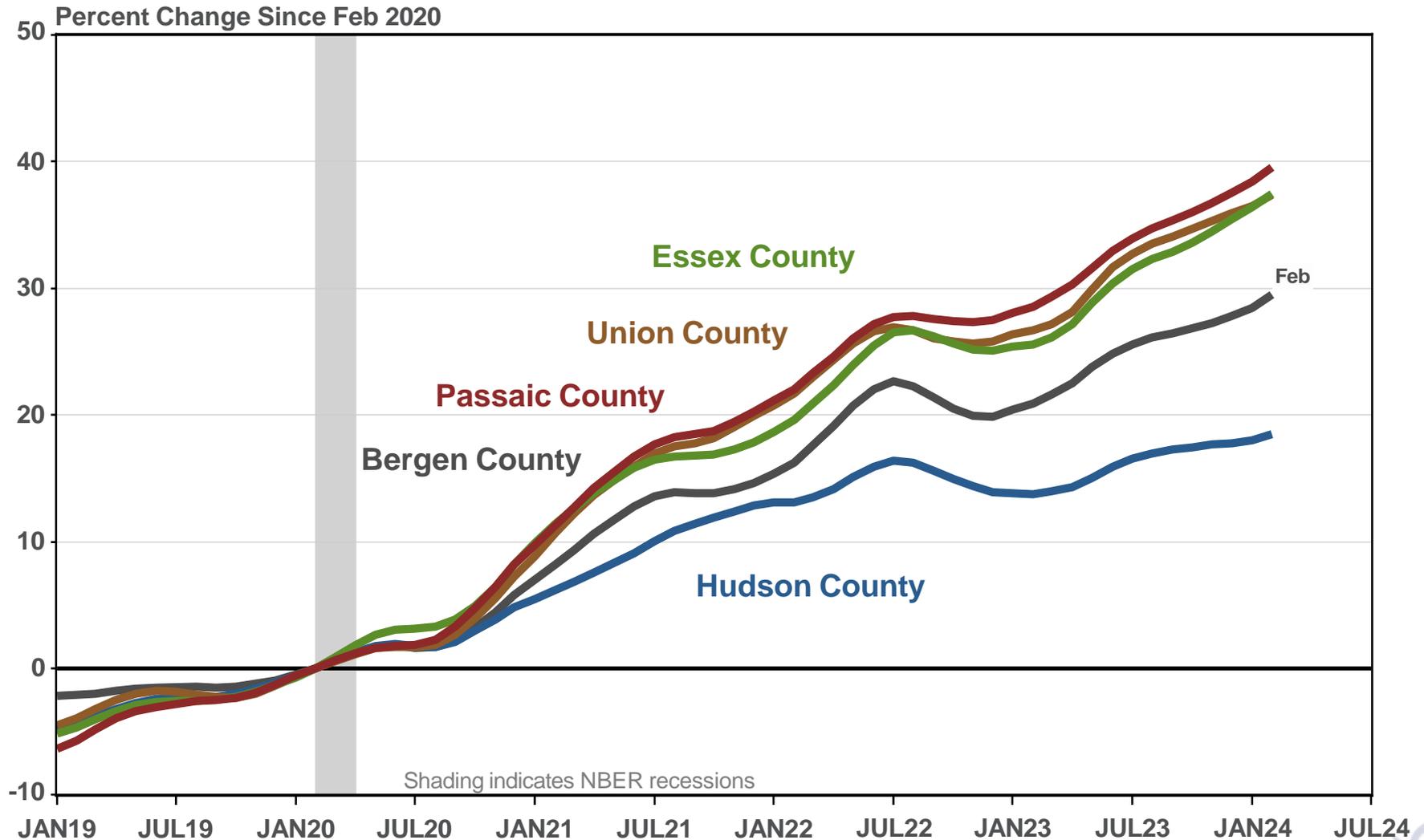
Zillow Home Value Index (ZHVI)

Percent Change in Home Prices Since Feb 2020



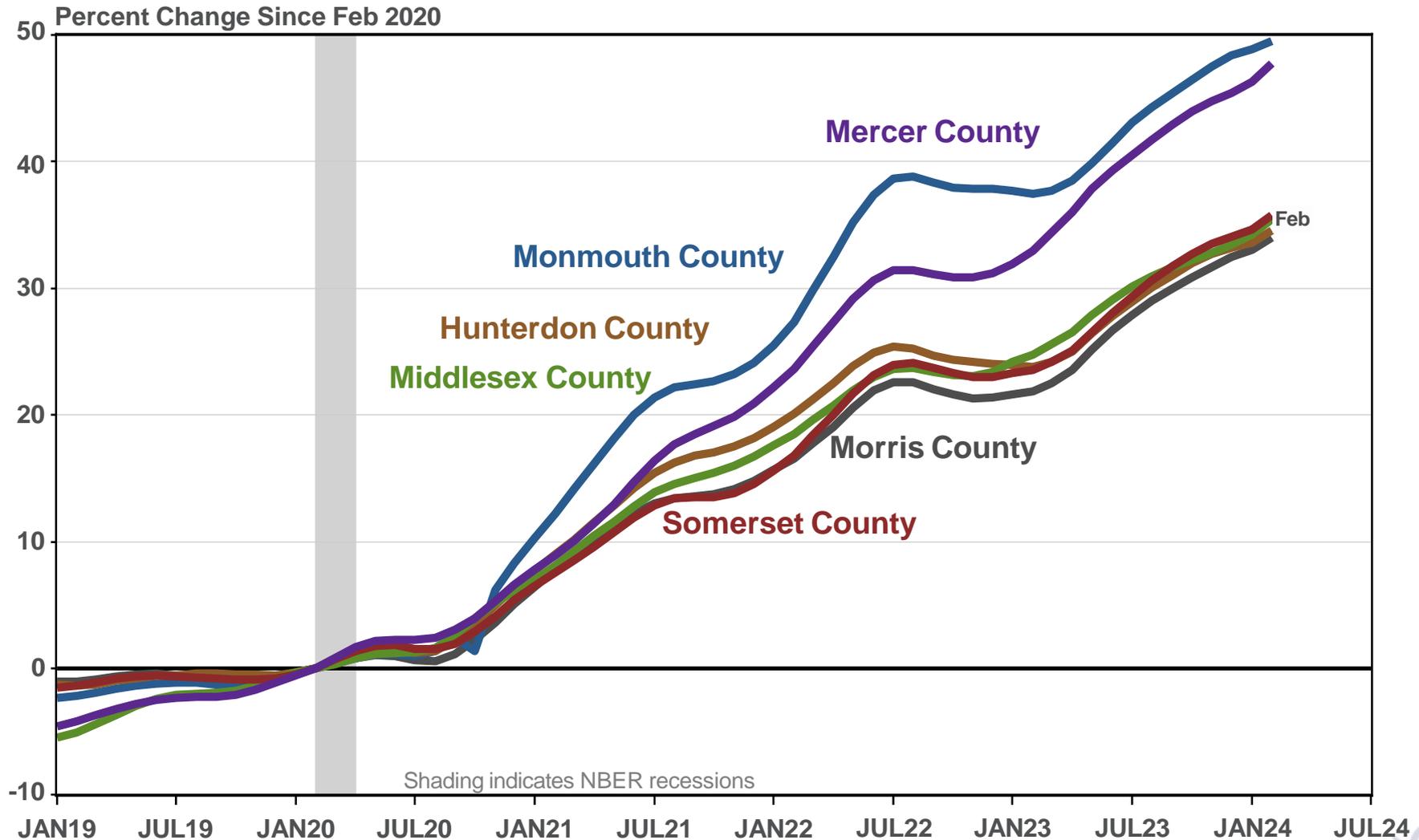
Zillow Home Value Index (ZHVI)

Percent Change in Home Prices Since Feb 2020



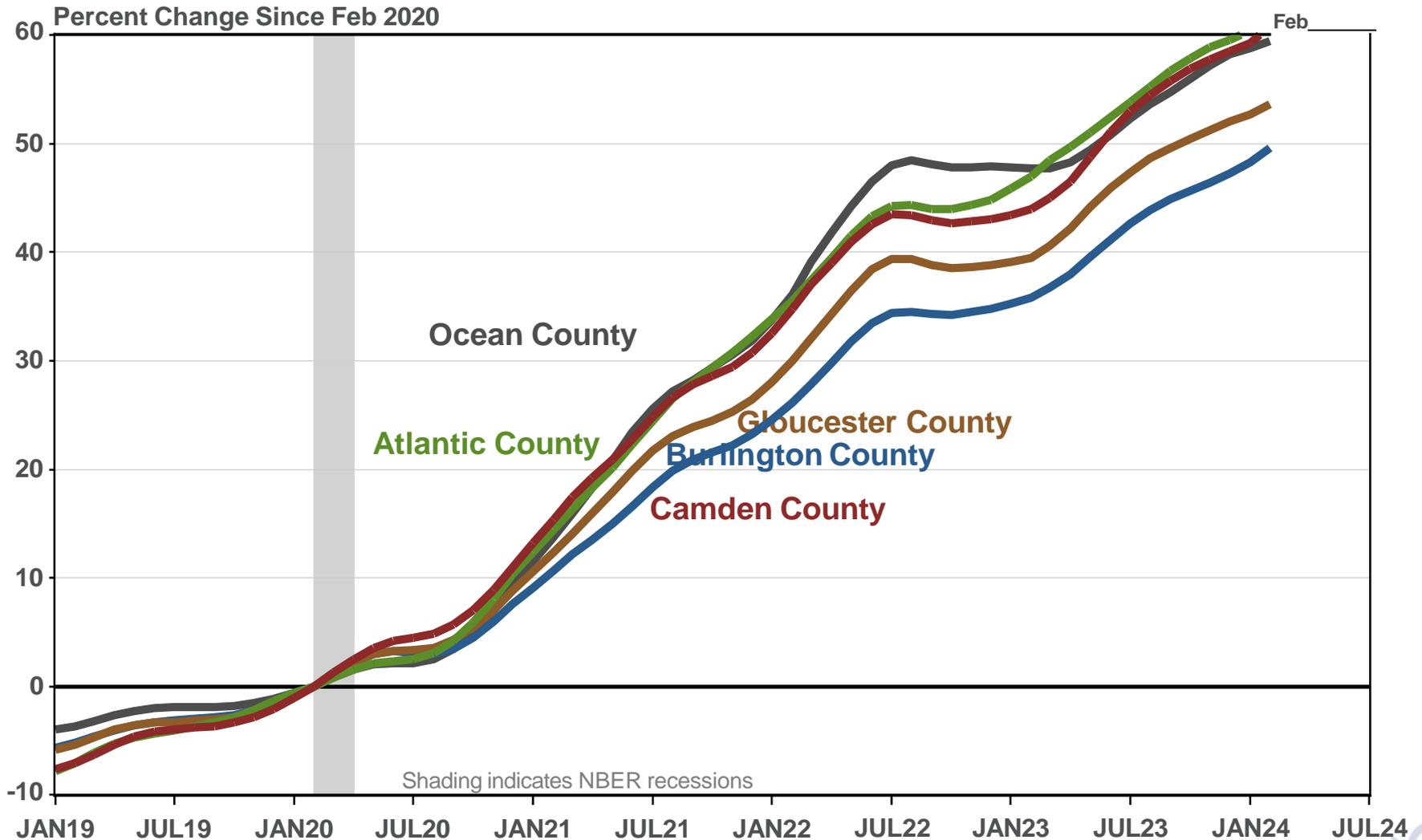
Zillow Home Value Index (ZHVI)

Percent Change in Home Prices Since Feb 2020



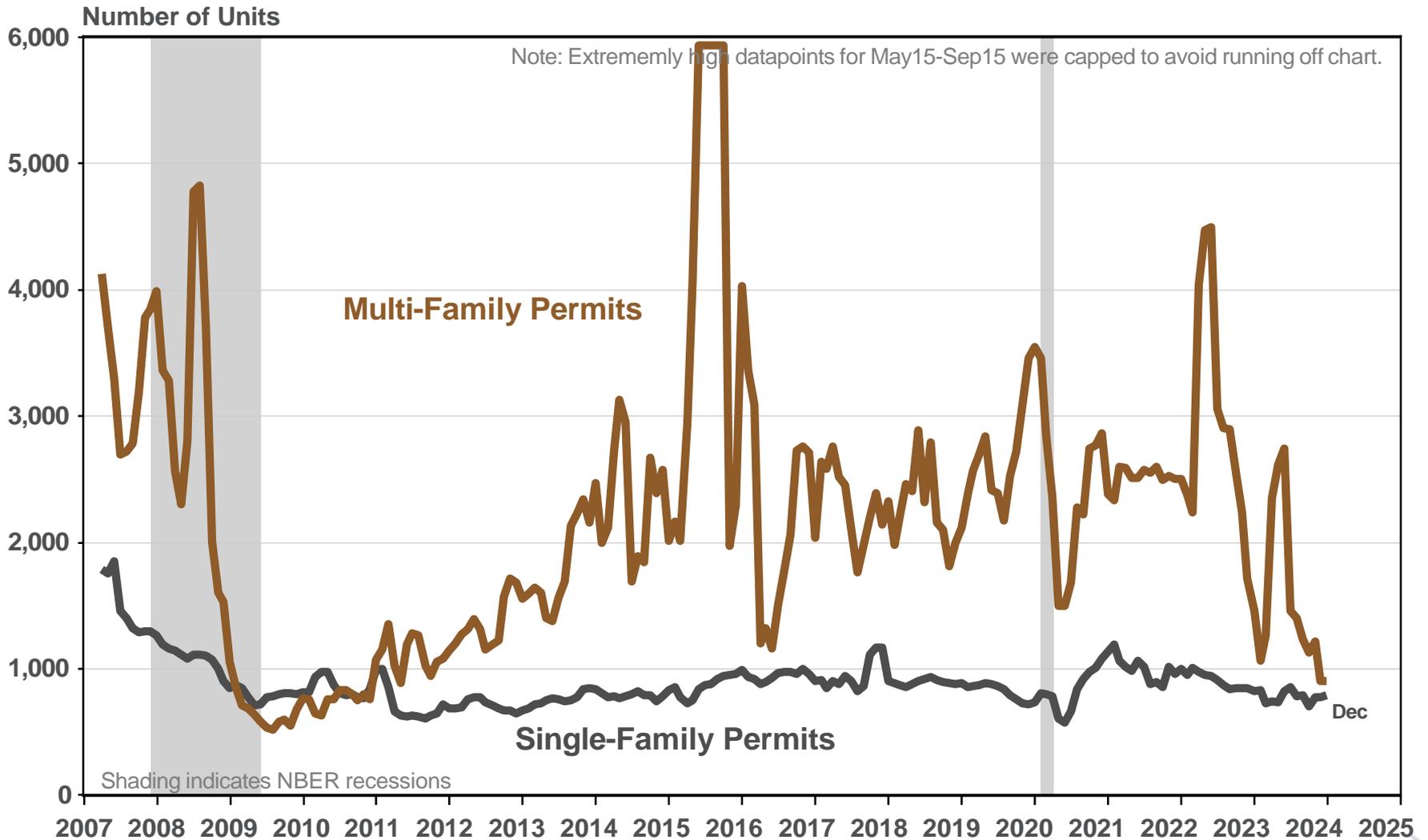
Zillow Home Value Index (ZHVI)

Percent Change in Home Prices Since Feb 2020



Building Permits: New York State

Seasonally Adjusted Three-Month Moving Average



Dec

Shading indicates NBER recessions

Single-Family Permits

Multi-Family Permits

Note: Extremely high datapoints for May15-Sep15 were capped to avoid running off chart.

Number of Units

6,000

5,000

4,000

3,000

2,000

1,000

0

2007

2008

2009

2010

2011

2012

2013

2014

2015

2016

2017

2018

2019

2020

2021

2022

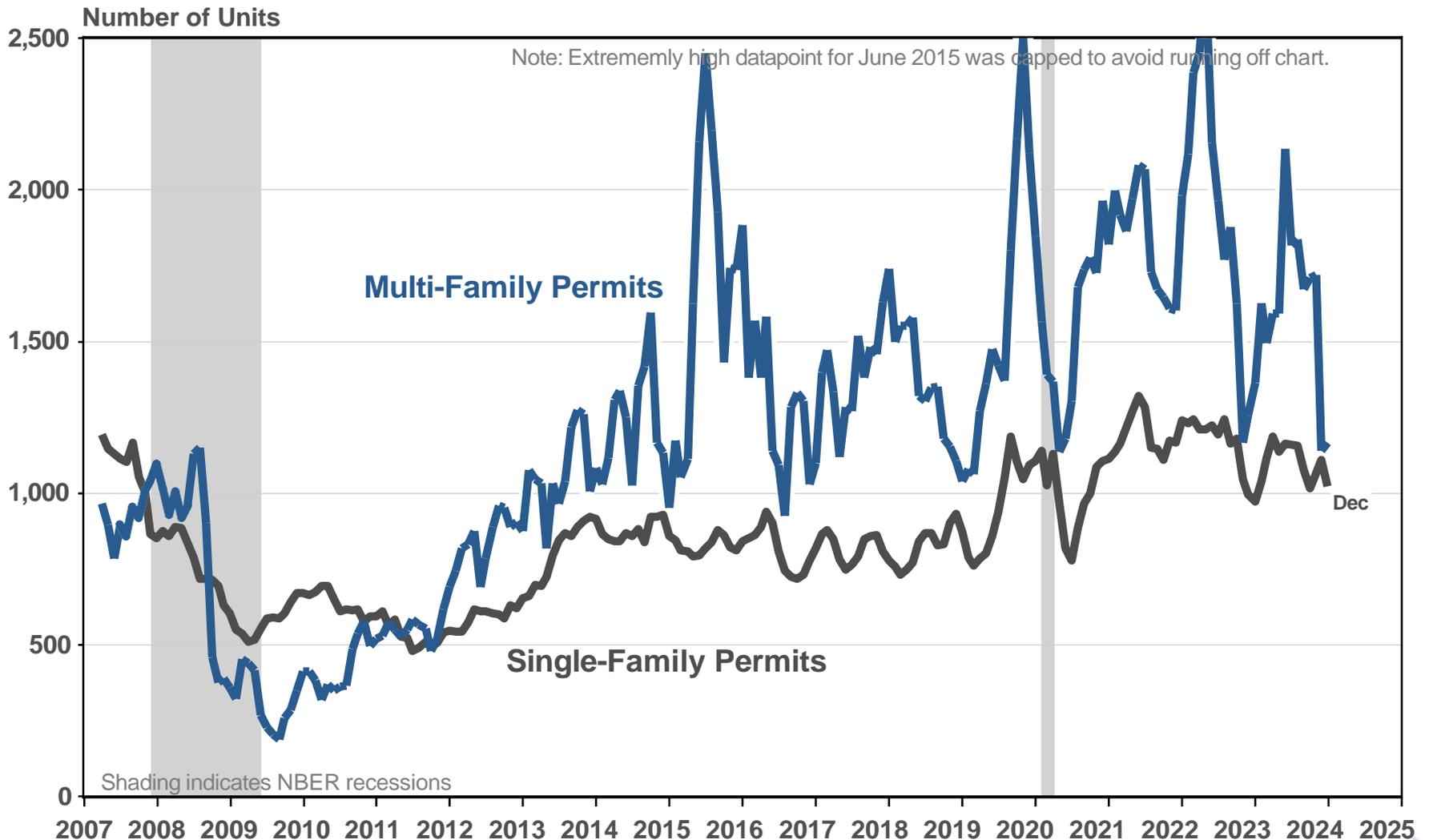
2023

2024

2025

Building Permits: New Jersey

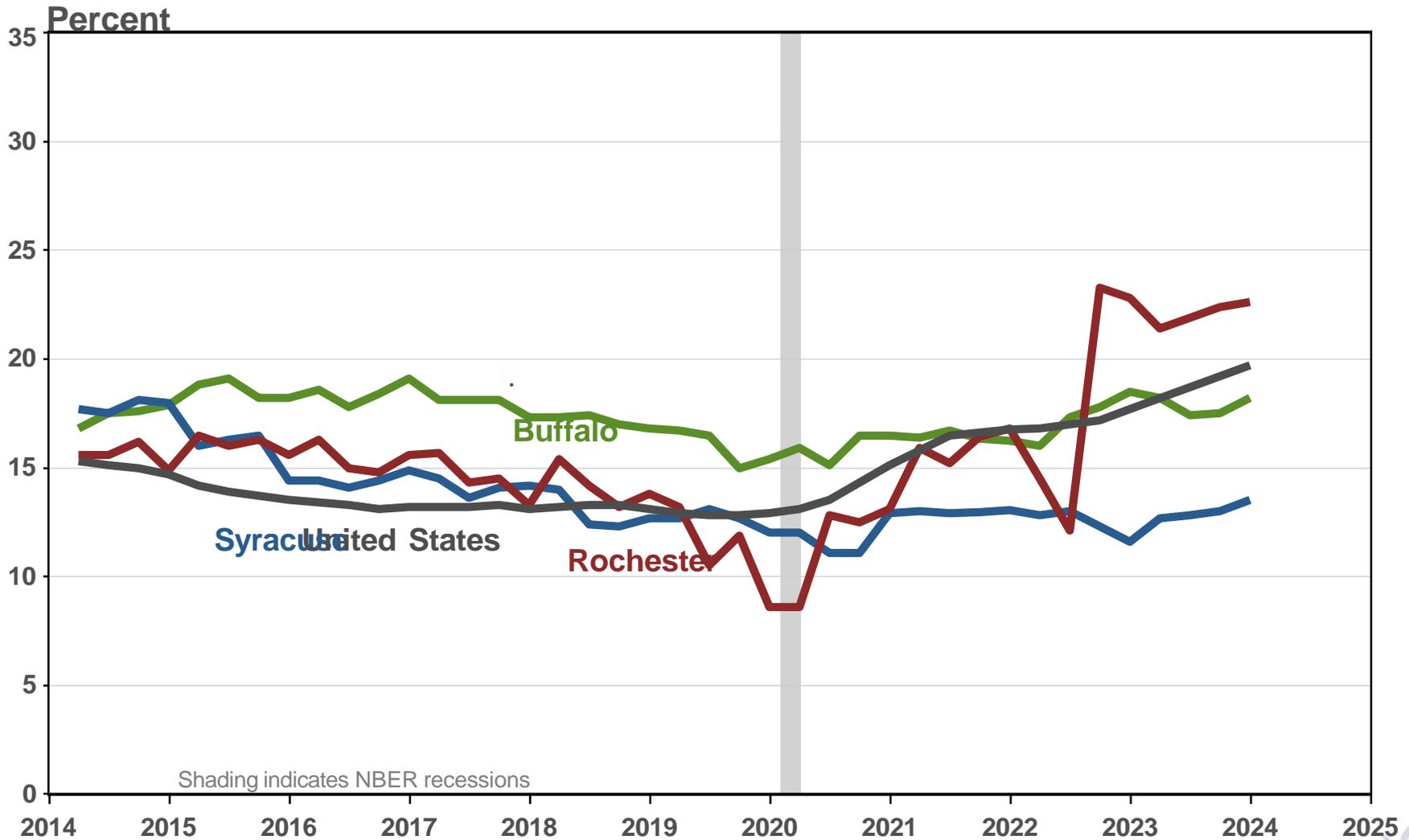
Seasonally Adjusted Three-Month Moving Average



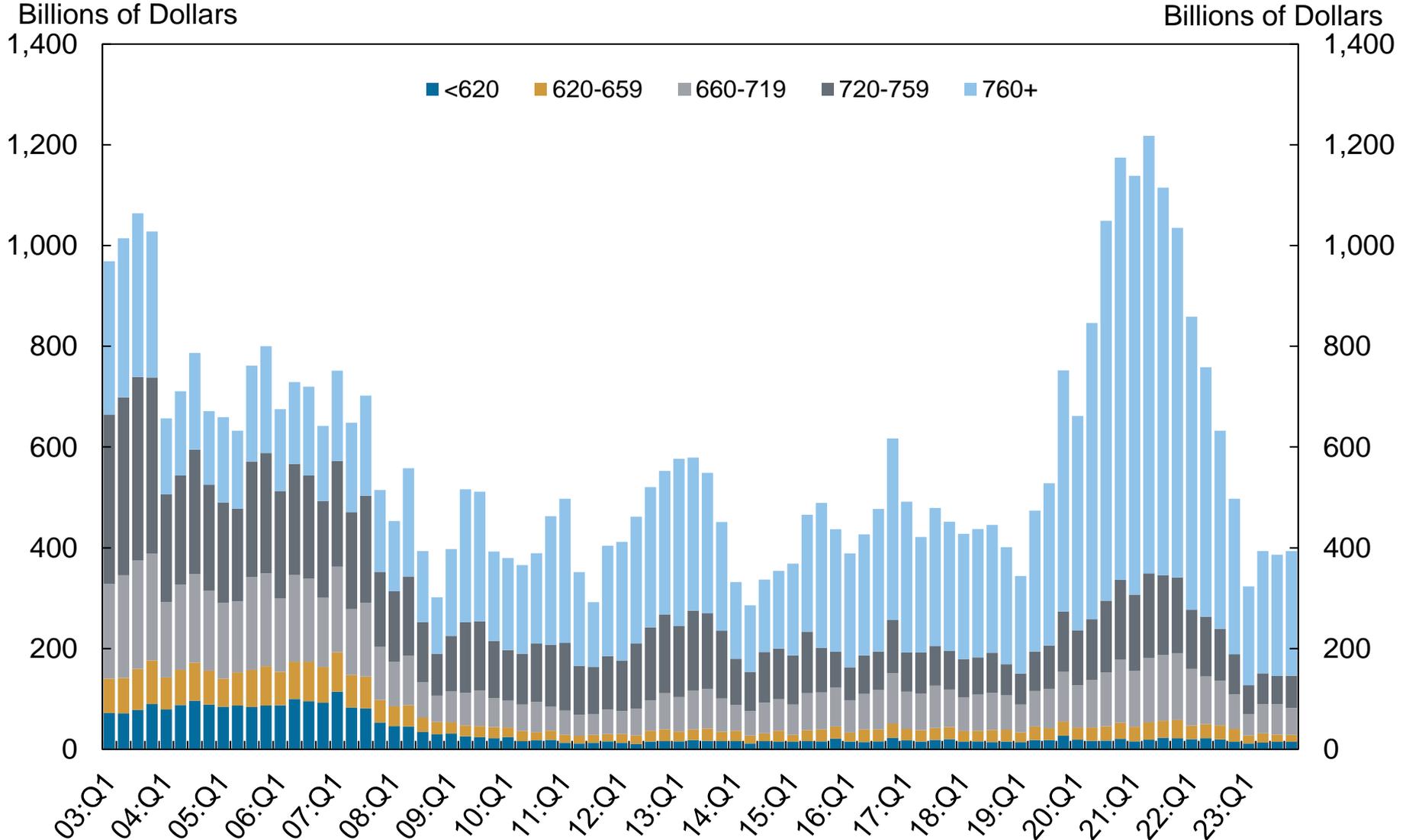
Dec

Office Vacancy Rates

Overall Vacancy Rates



Mortgage Originations by Credit Score*



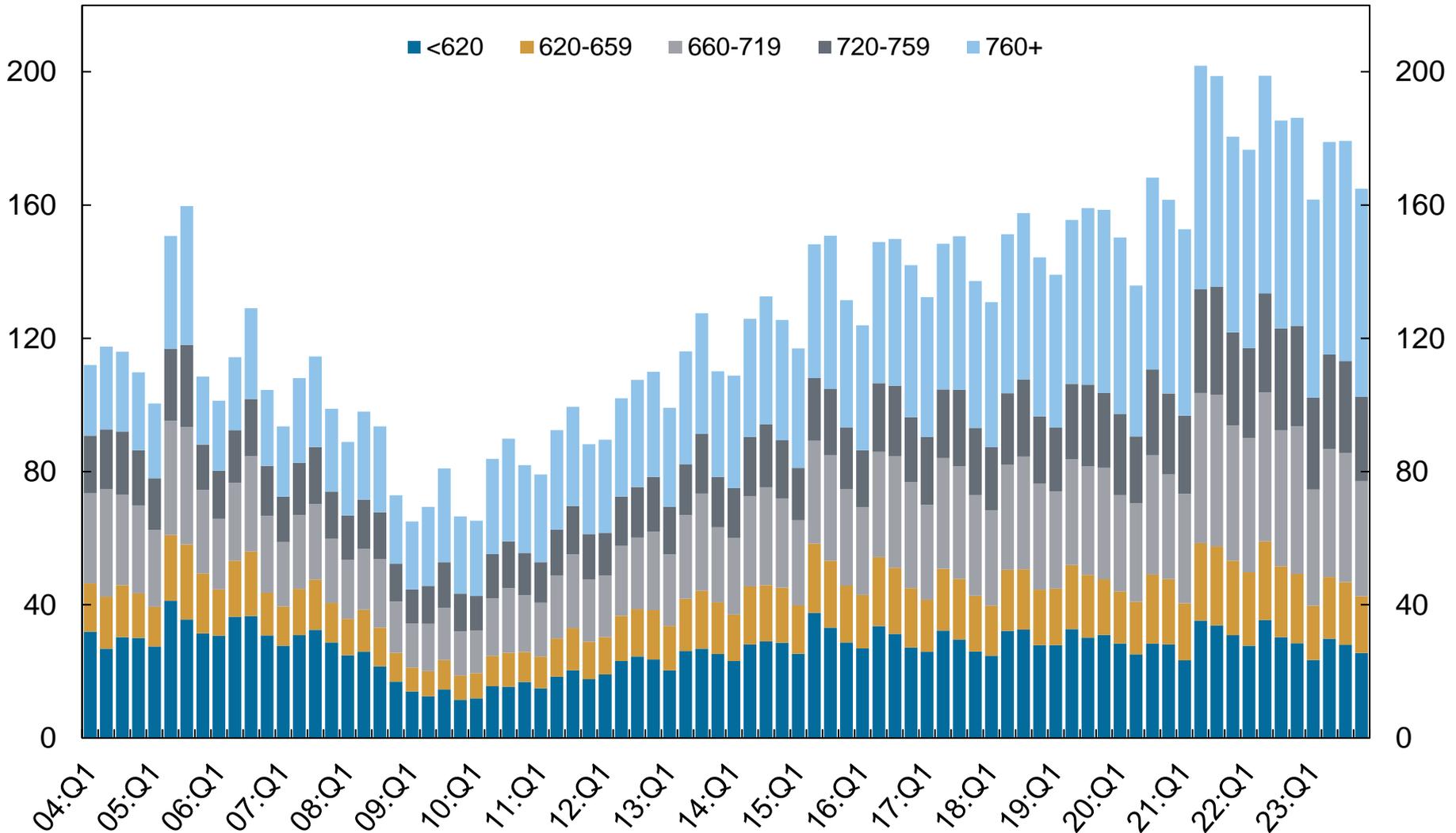
Source: New York Fed Consumer Credit Panel/Equifax

* Credit Score is Equifax Riskscore 3.0

Auto Loan Originations by Credit Score*

Billions of Dollars

Billions of Dollars

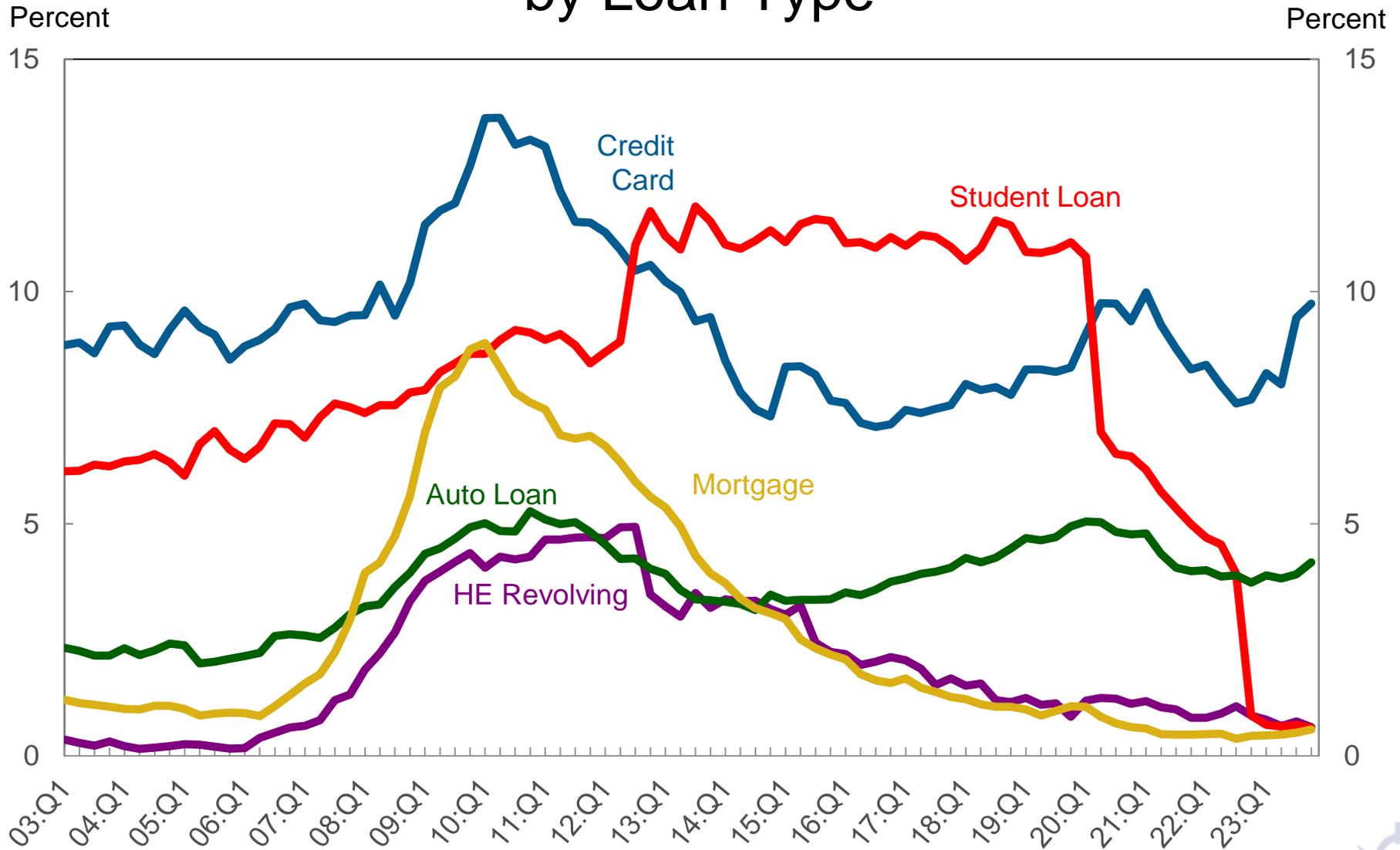


Source: New York Fed Consumer Credit Panel/Equifax

* Credit Score is Equifax RiskScore 3.0

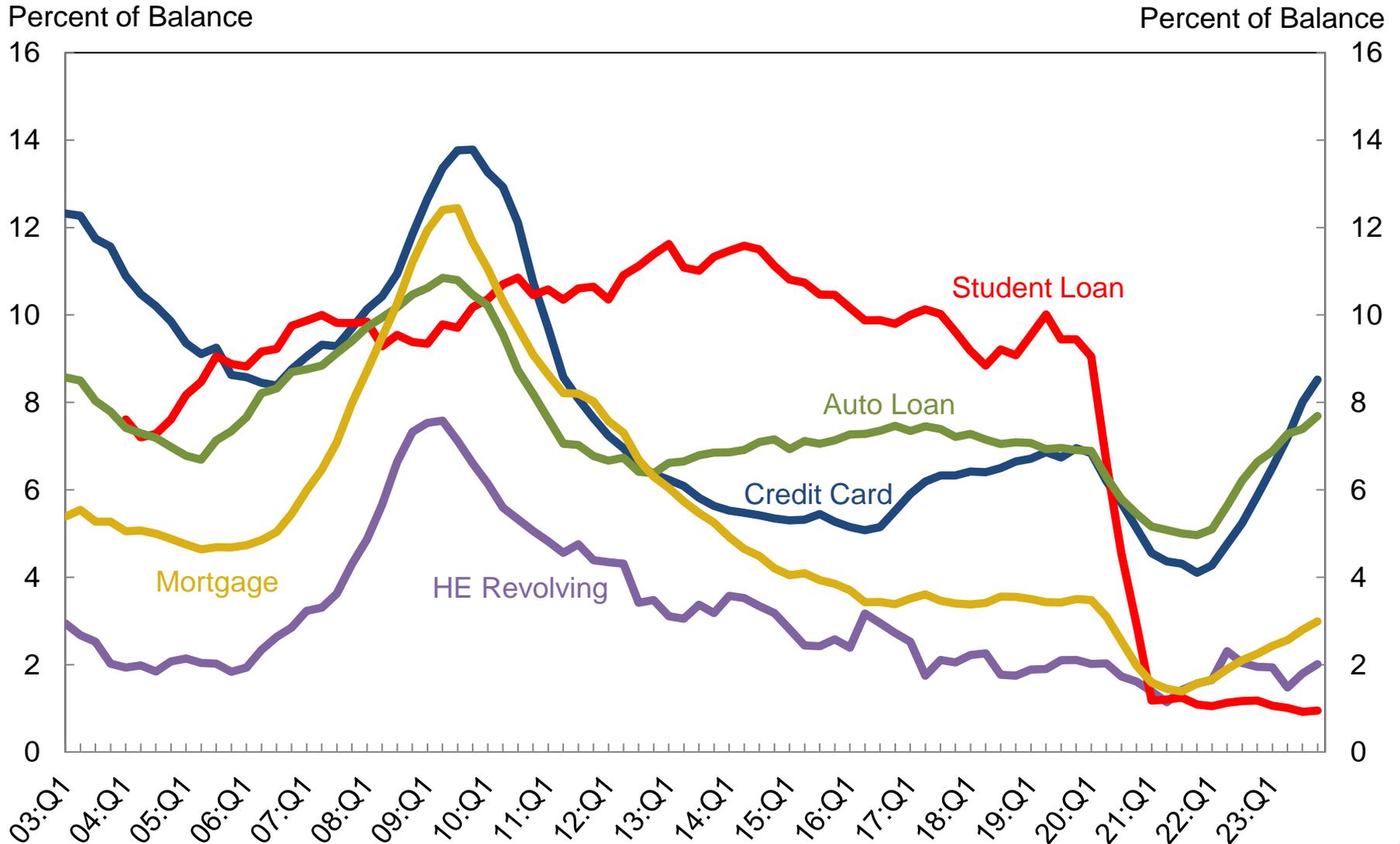


Percent of Balance 90+ Days Delinquent by Loan Type



Source: New York Fed Consumer Credit Panel/Equifax

Transition into Delinquency (30+) by Loan Type



Source: New York Fed Consumer Credit Panel/Equifax

Note: 4 Quarter Moving Sum
 Student loan data are not reported prior to 2004 due to uneven reporting