

2010 REGIONAL EMPLOYMENT BRIEFING

Federal Reserve Bank of New York

Presenters: Jason Bram, Richard Deitz, James Orr, Rae Rosen
April 14, 2010

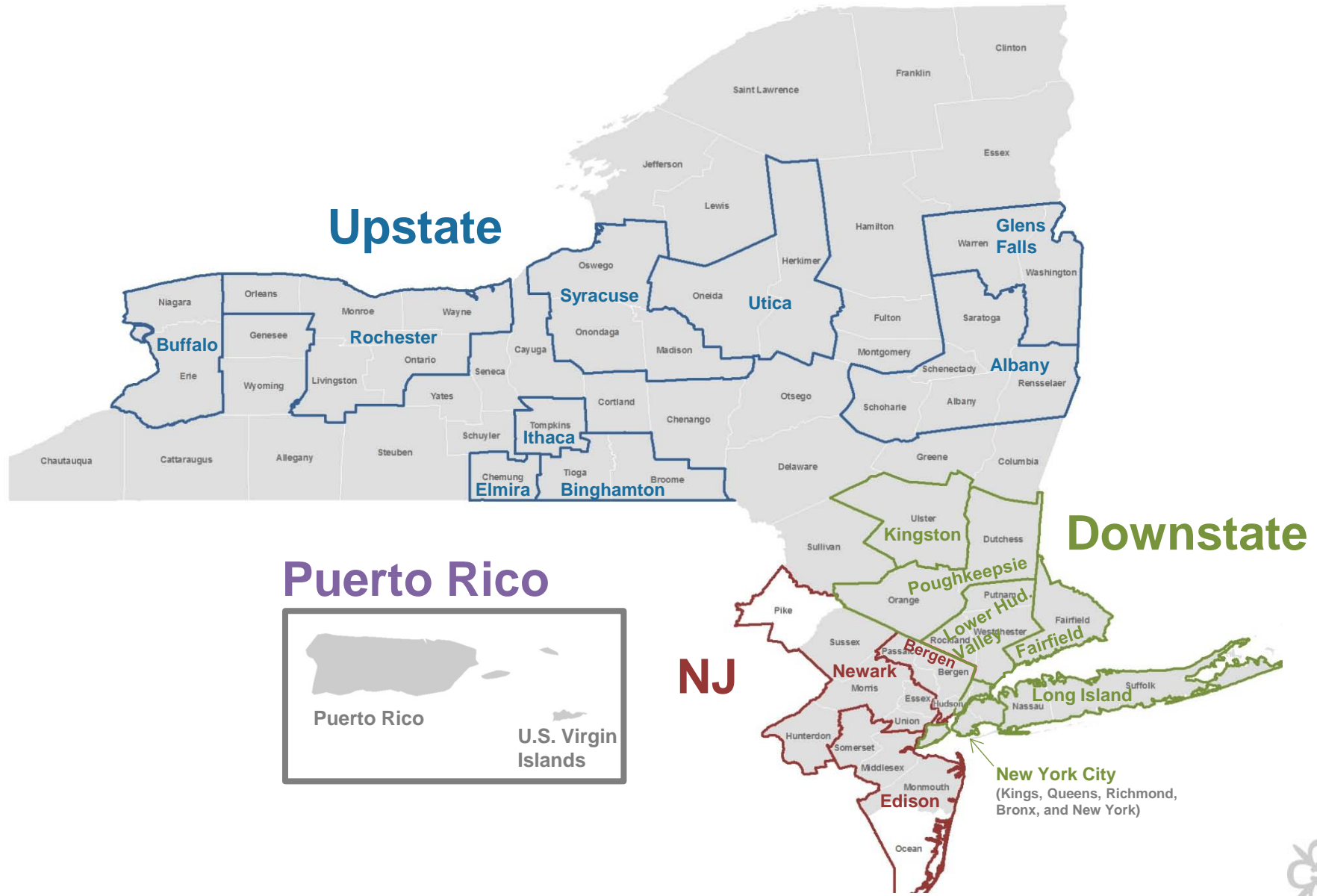


The views expressed here are those of the presenters and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.



The Second Federal Reserve District

Counties and Metropolitan Statistical Areas



2010 Regional Employment Briefing Outline

1. Coincident Economic Indicators:
New York State, New York City and New Jersey
2. 2010 Employment Trends in the Region
 - Northern New Jersey – *James Orr*
 - Downstate New York – *Jason Bram*
 - New York City's Financial Sector – *Rae Rosen*
 - Upstate New York – *Richard Deitz*
 - Puerto Rico – *Jason Bram*



Indexes of Coincident Economic Indicators (CEI)

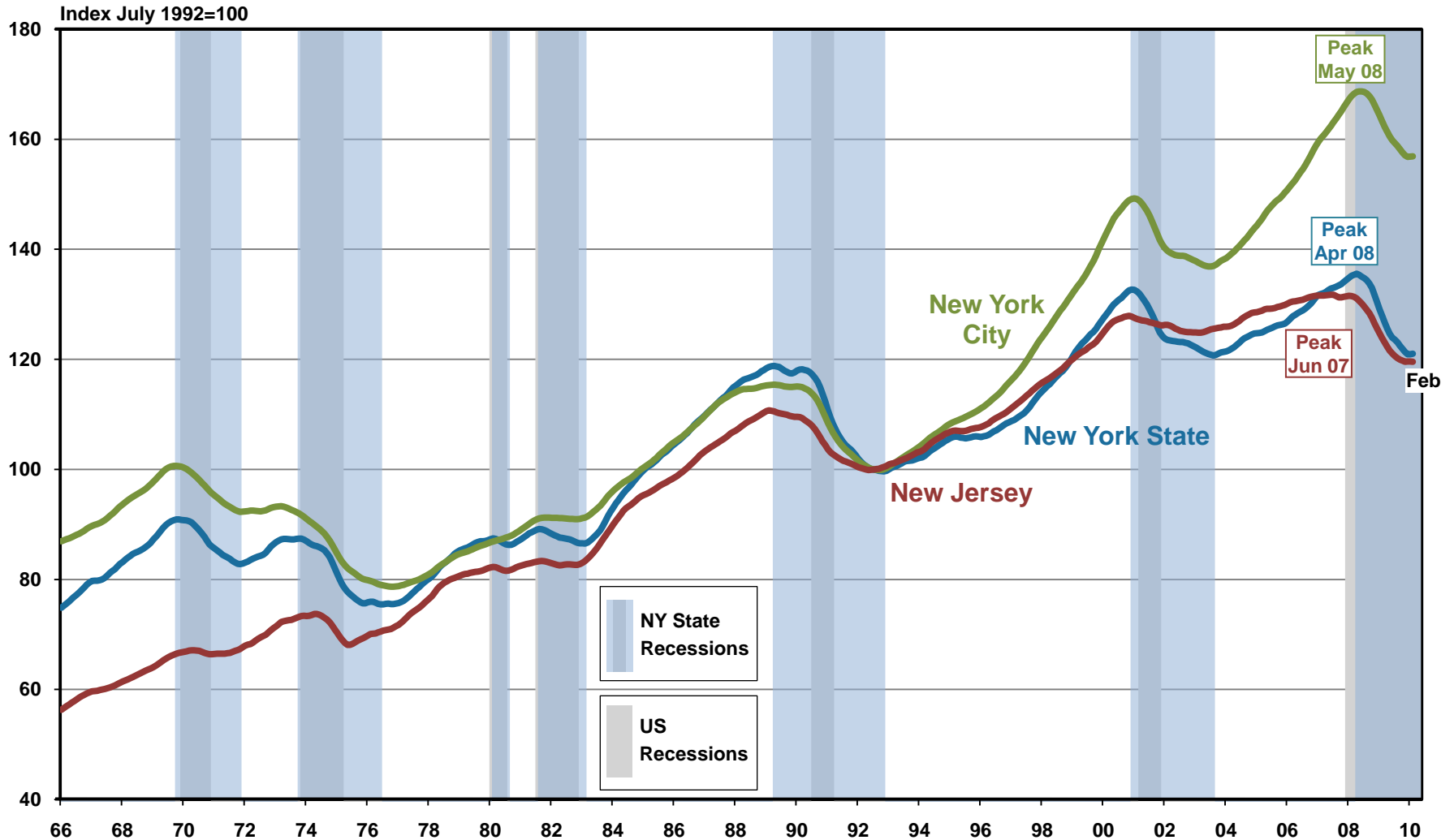
Construction of the CEI

- The Coincident Index is a single composite measure designed to gauge the current state of economic activity.
 - Employment
 - Average Manufacturing Hours
 - Unemployment
 - Real Earnings
- We construct indexes separately for New York State, New York City and New Jersey.
- We use these indexes to date regional business cycles (peaks and troughs in economic activity).
- Indexes show only modest synchronization between regional and national cycles.



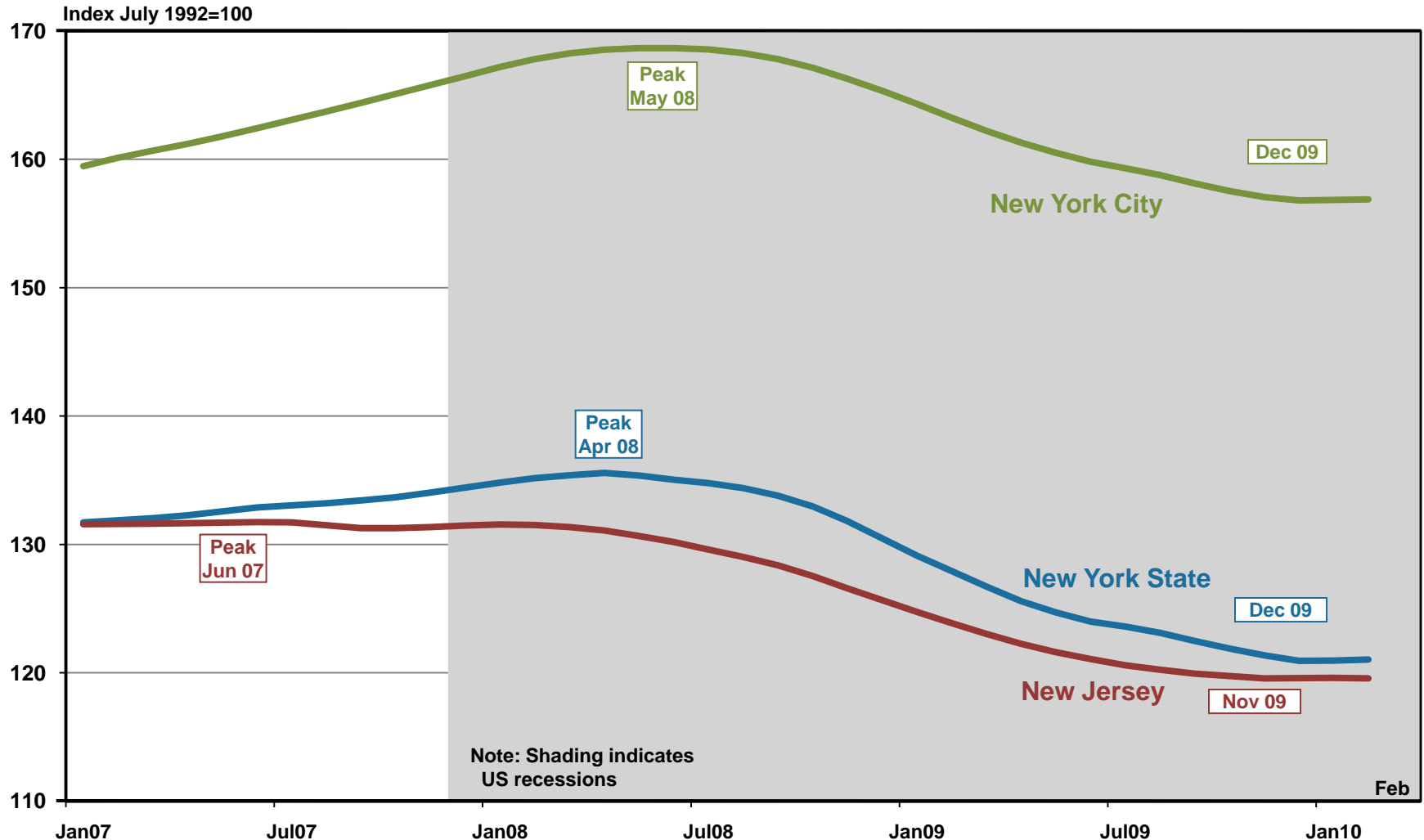
Regional Economic Activity

Index of Coincident Economic Indicators



Regional Economic Activity Has Levelled Off

Index of Coincident Economic Indicators



Indexes of Coincident Economic Indicators (CEI)

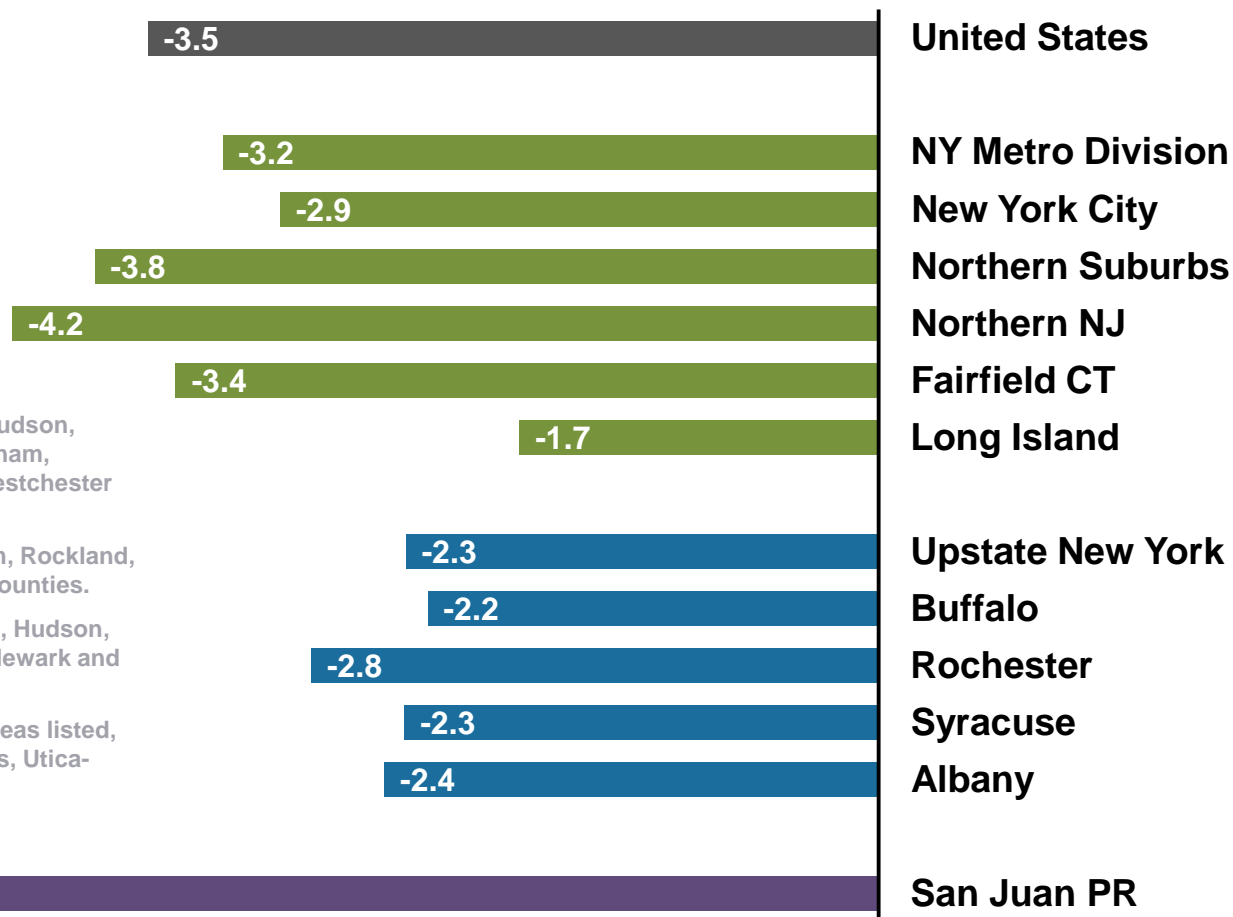
Current Situation

- Despite the financial turmoil, activity in New York State and New York City turned down after the peak in national activity; in New Jersey, activity weakened well before the national peak.
- The indexes show that activity across the region has leveled off in recent months.
- Regional recoveries from past two cycles have lagged the nation considerably.



Private-Sector Job Growth: U.S. & Metropolitan Areas

Percentage Change in Private-Sector Employment
December/January/February 2009 to December/January/February 2010



NY Metro Division includes Bergen, Hudson, Passaic, Bronx, Kings, New York, Putnam, Queens, Richmond, Rockland, and Westchester counties.

The Northern Suburbs include Putnam, Rockland, Westchester, Dutchess, and Orange counties.

Northern New Jersey includes Bergen, Hudson, and Passaic counties, as well as the Newark and Edison metro divisions.

Upstate New York includes the four areas listed, as well as the Binghamton, Glens Falls, Utica-Rome, and Ithaca MSAs.

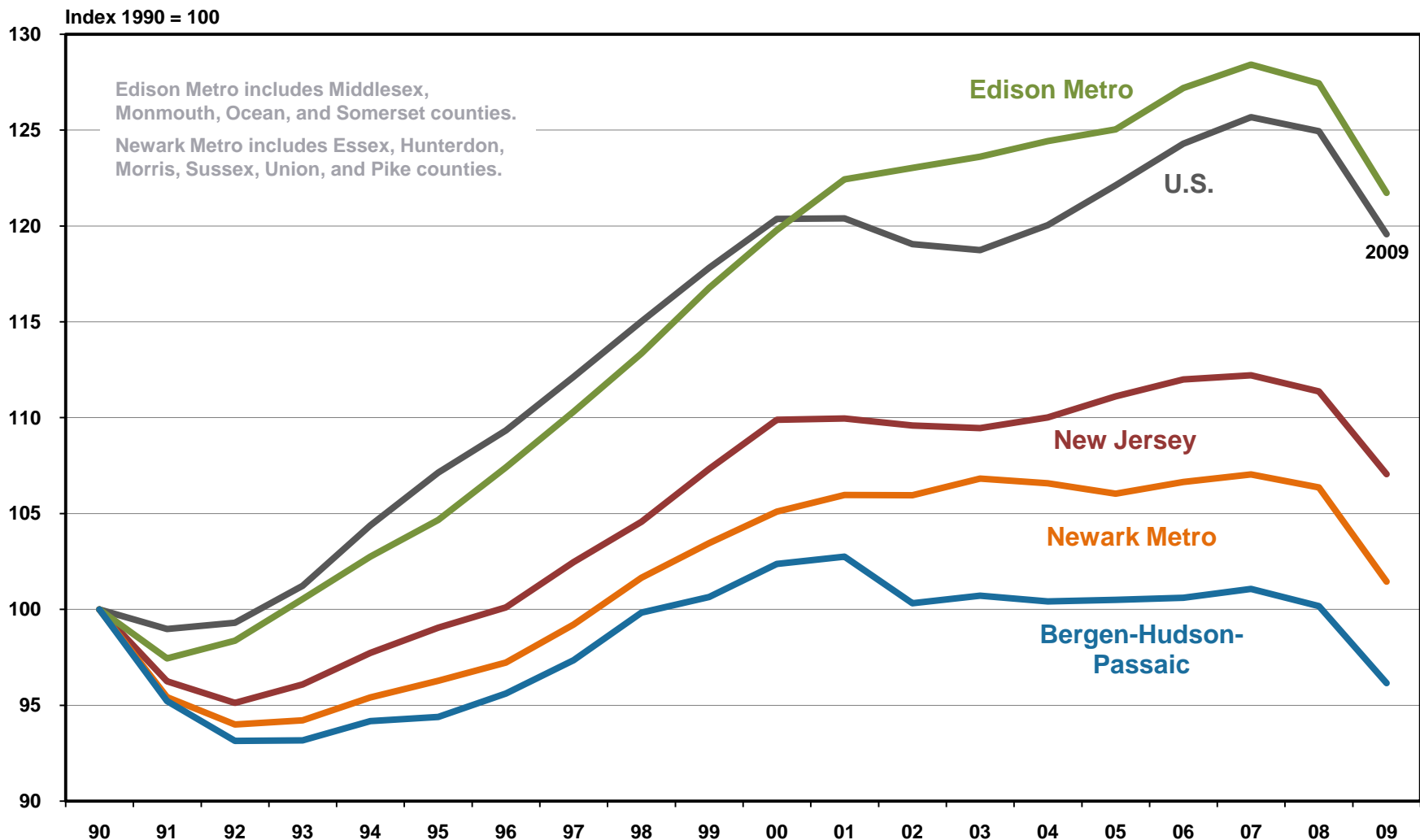


2010 Employment Trends



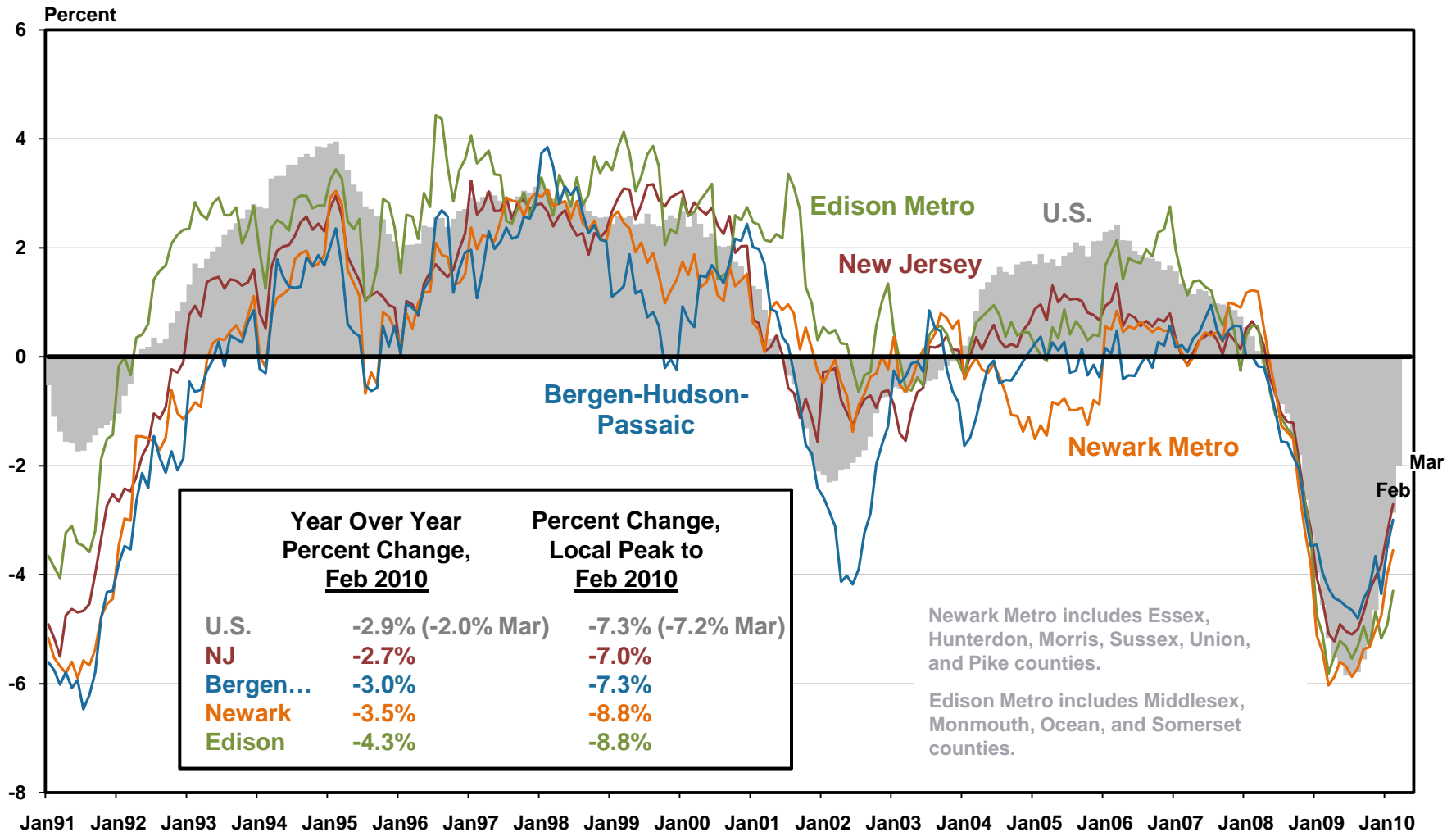
Longer-Term Employment Trends

Total Employment



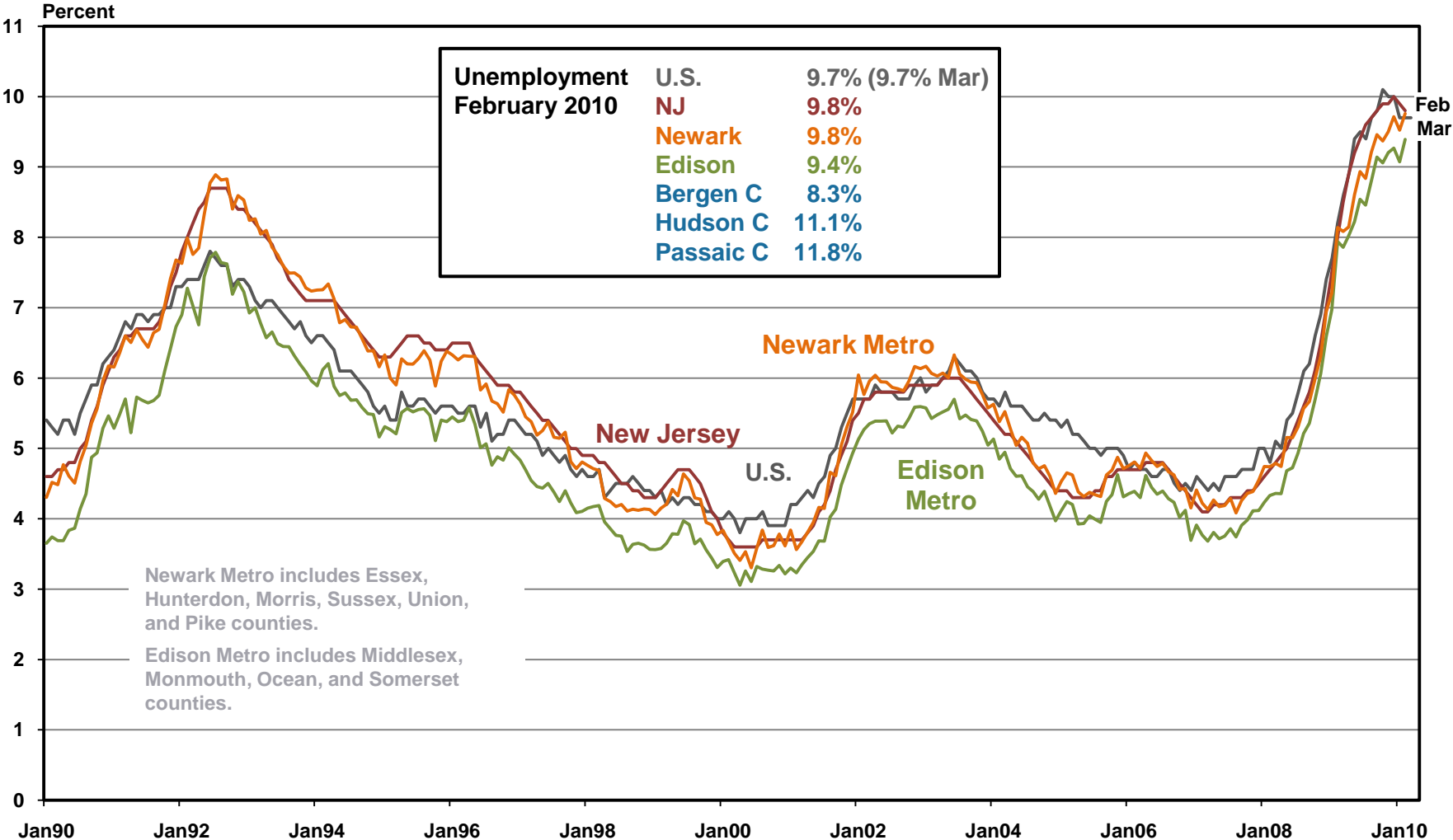
Private-Sector Job Growth

Year Over Year Percent Change in Private Sector Employment



Unemployment Rates

Seasonally Adjusted



Job Growth by Sector

Year Over Year Percent Change, Not Seasonally Adjusted

	U.S. Feb	New Jersey Feb	Newark Metro Feb	Edison Metro Feb	Bergen Hudson Passaic Feb
Education & Health	1.6	1.8	0.5	2.7	2.1
Government	-0.5	1.0	-1.2	1.1	4.0
Leisure & Hospitality	-1.5	1.3	-2.3	3.8	-0.8
Professional & Business	-2.1	-3.9	-1.5	-9.5	-7.0
Retail Trade	-2.1	-1.6	-3.1	-4.4	-1.5
Wholesale Trade	-2.7	-3.9	-4.9	-5.7	-2.0
Financial Activities	-3.4	-4.5	-5.9	-2.9	-3.4
Transportation & Utilities	-4.3	-1.4	-2.2	-3.4	-6.1
Information	-4.6	-5.8	-4.4	-8.7	-4.5
Manufacturing	-6.7	-7.2	-8.8	-7.8	-8.9
Construction	-14.1	-16.2	-12.5	-21.3	-7.8

Note: 'Construction' category for Newark, Edison, and Bergen-Hudson-Passaic also includes Mining.



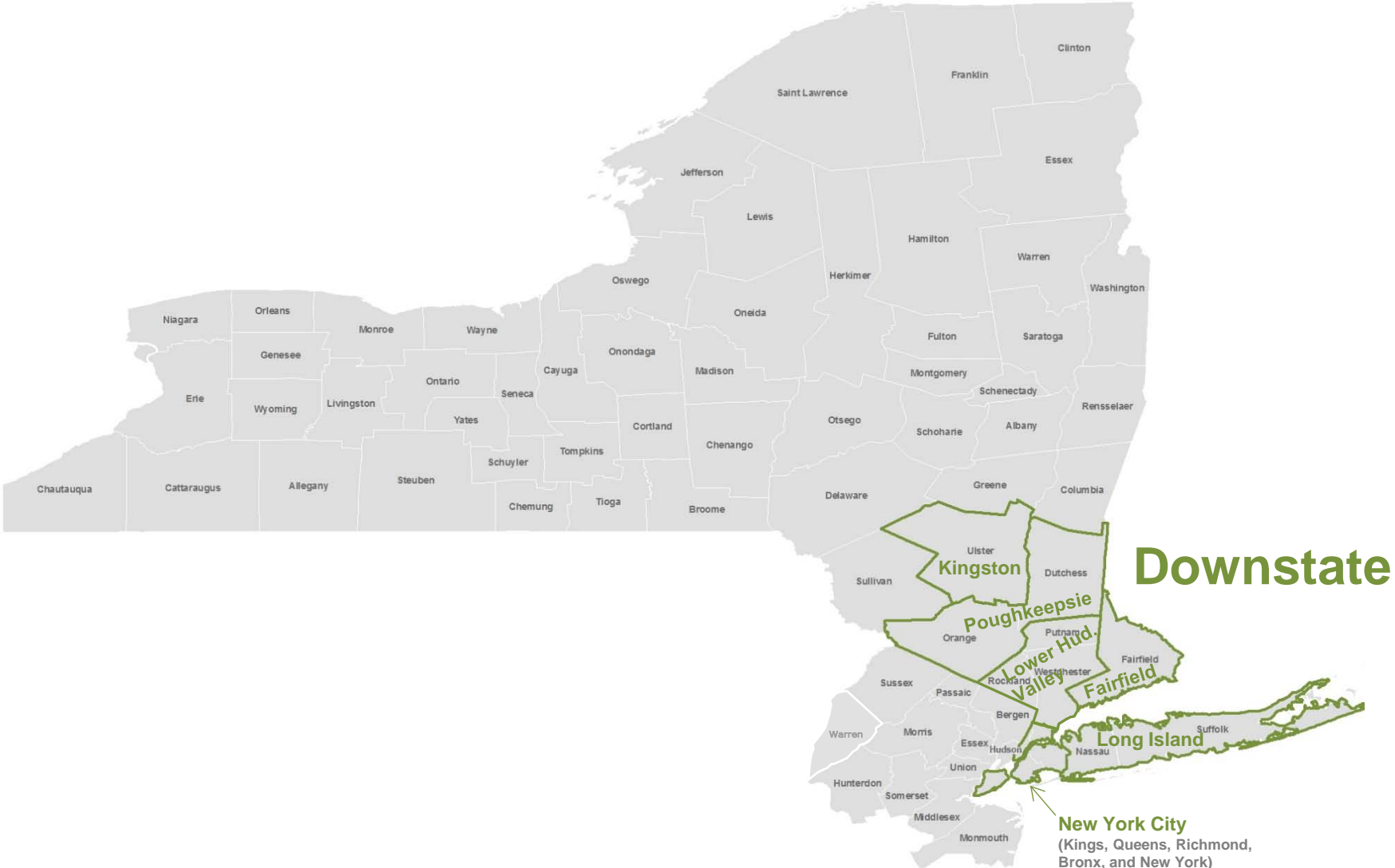
2010 New Jersey Employment Trends

Summary

- The rate of job decline in the northern NJ metro areas in this downturn was roughly on par with the nation.
- NJ's labor market steadied in February as unemployment edged down and private-sector job growth turned up modestly.
- A recovery of lost jobs in finance, professional and business services, and construction would help to spur employment growth statewide.
- Budget gaps are putting downward pressure on state and local government employment.

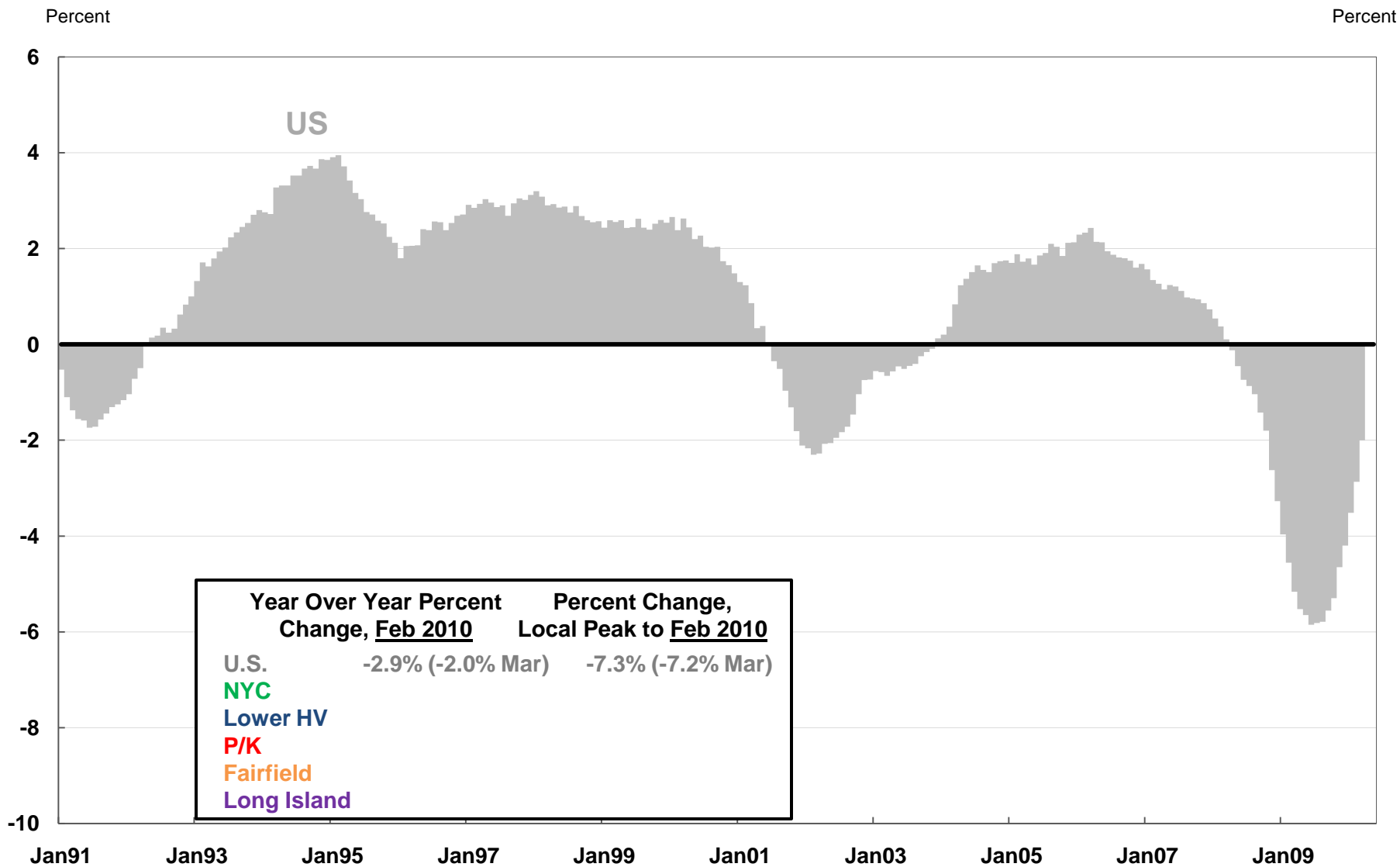


2010 Employment Trends



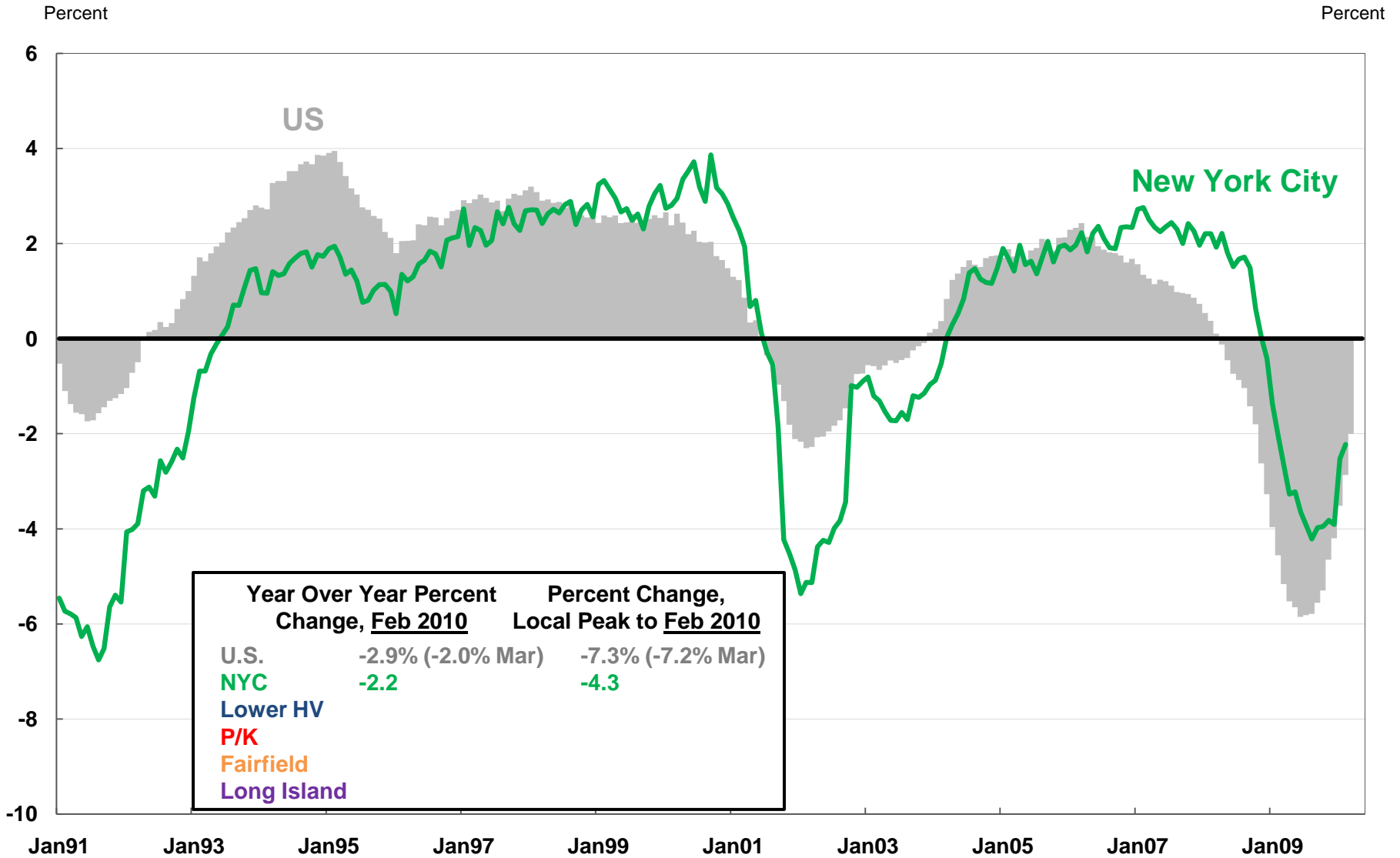
Private-Sector Job Growth

Year Over Year Percent Change in Private Sector Employment



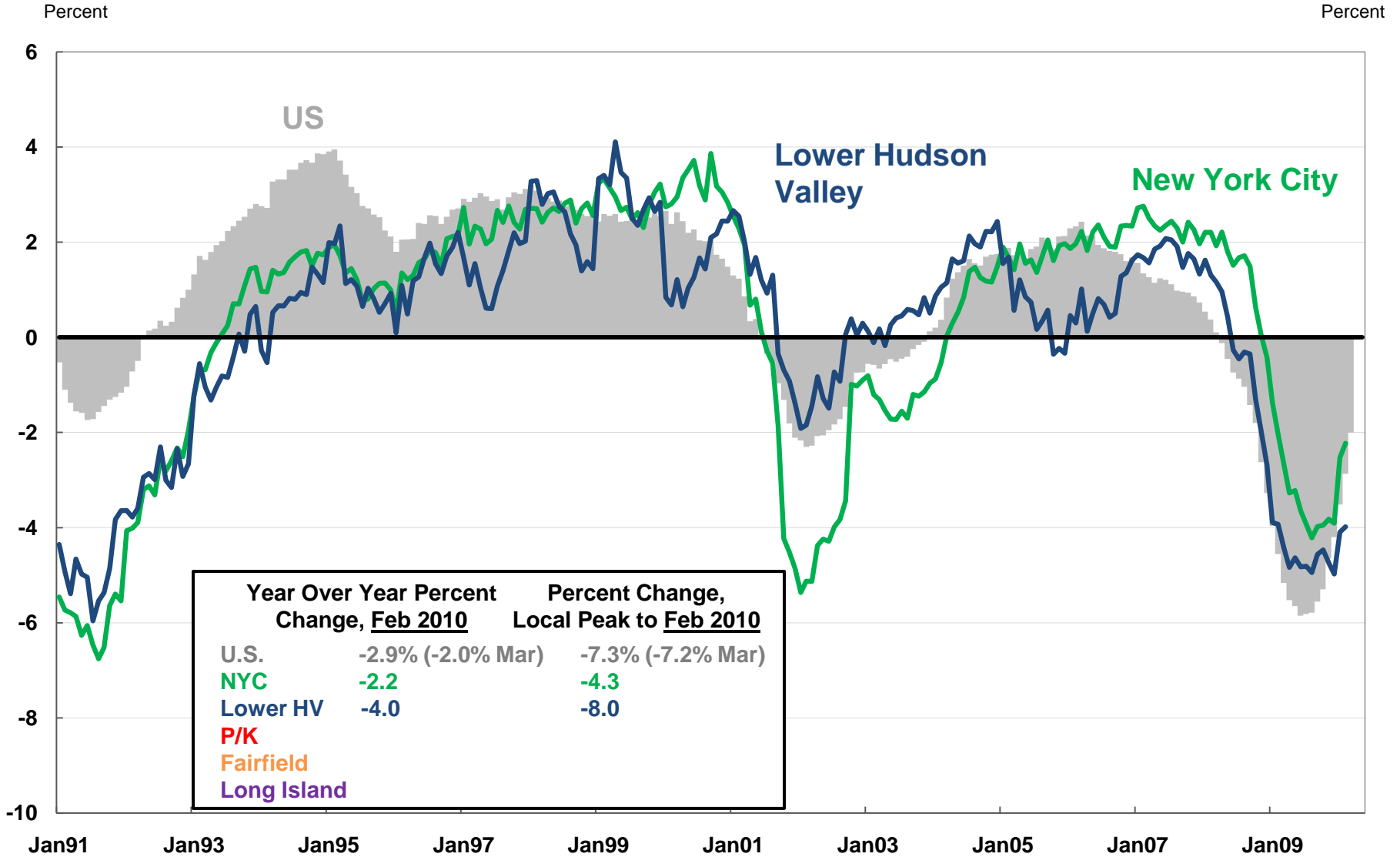
Private-Sector Job Growth

Year Over Year Percent Change in Private Sector Employment



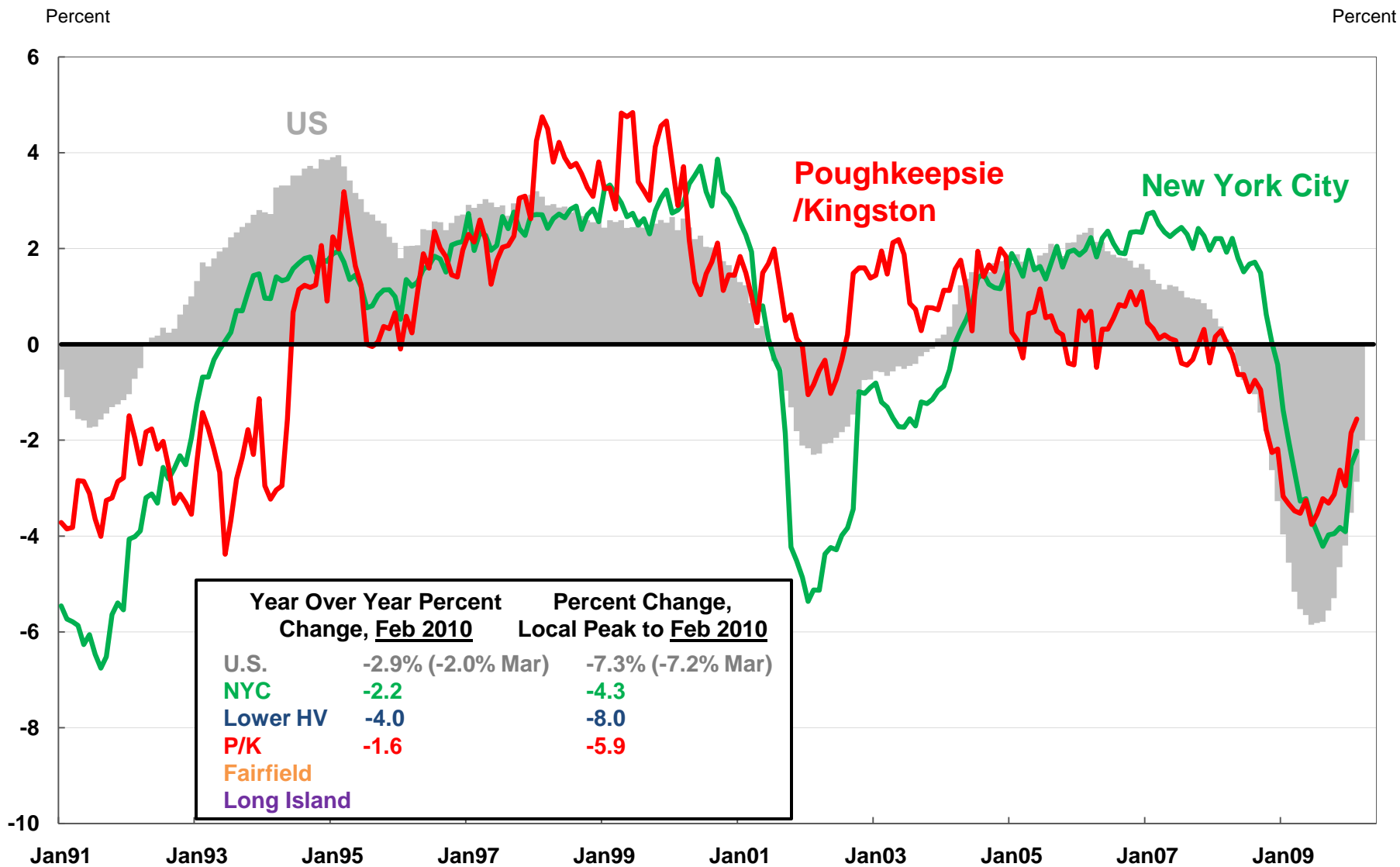
Private-Sector Job Growth

Year Over Year Percent Change in Private Sector Employment



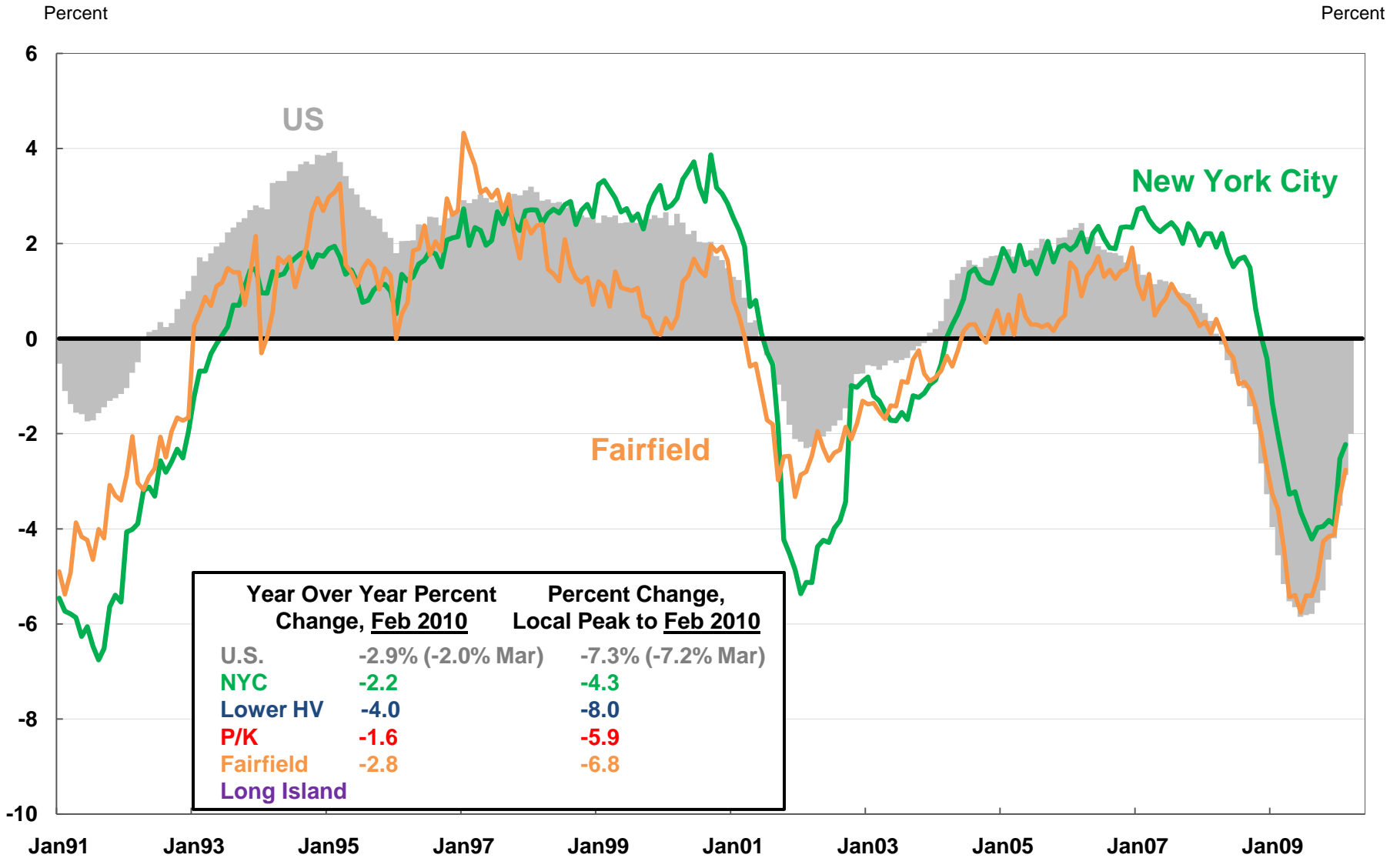
Private-Sector Job Growth

Year Over Year Percent Change in Private Sector Employment



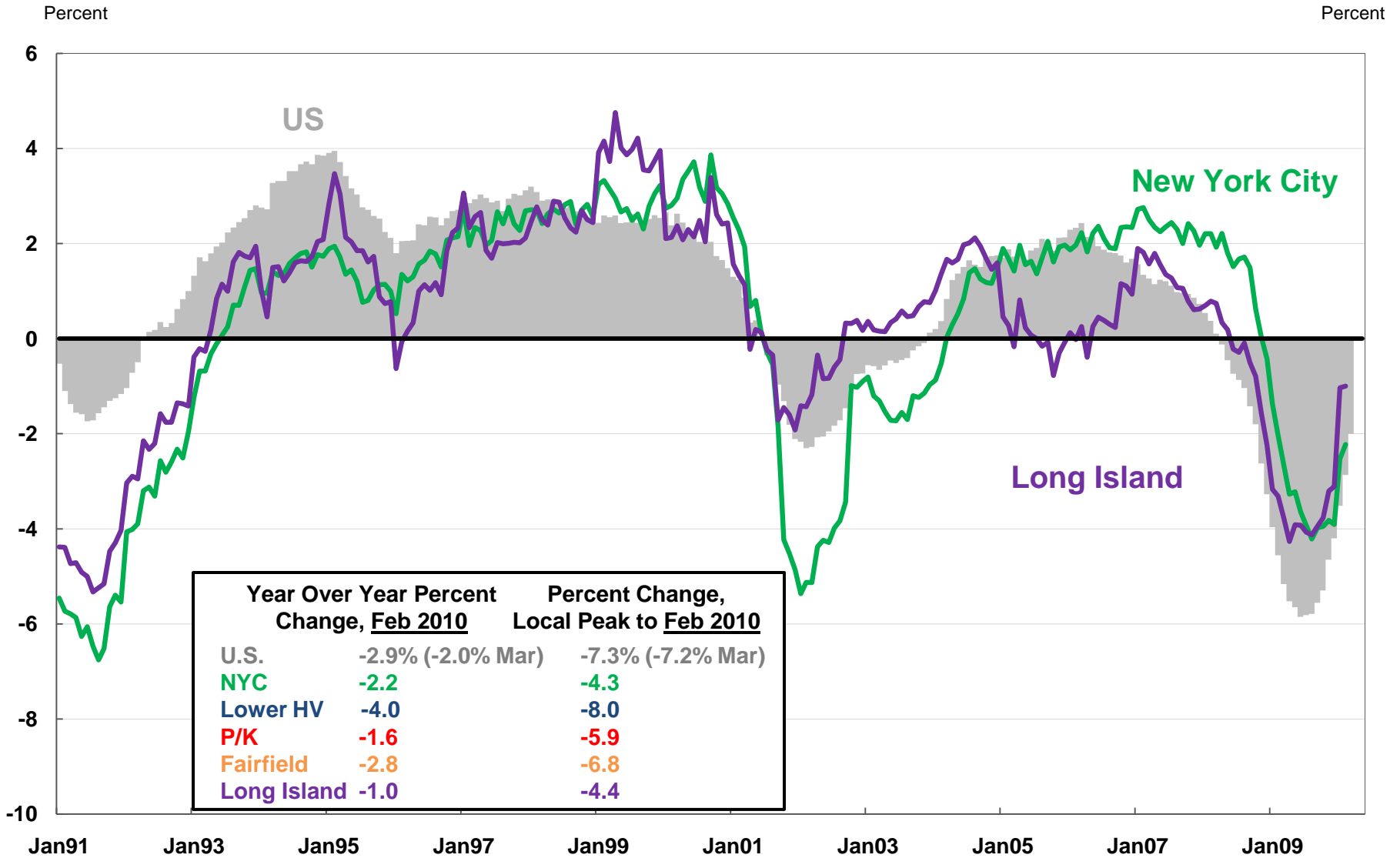
Private-Sector Job Growth

Year Over Year Percent Change in Private Sector Employment



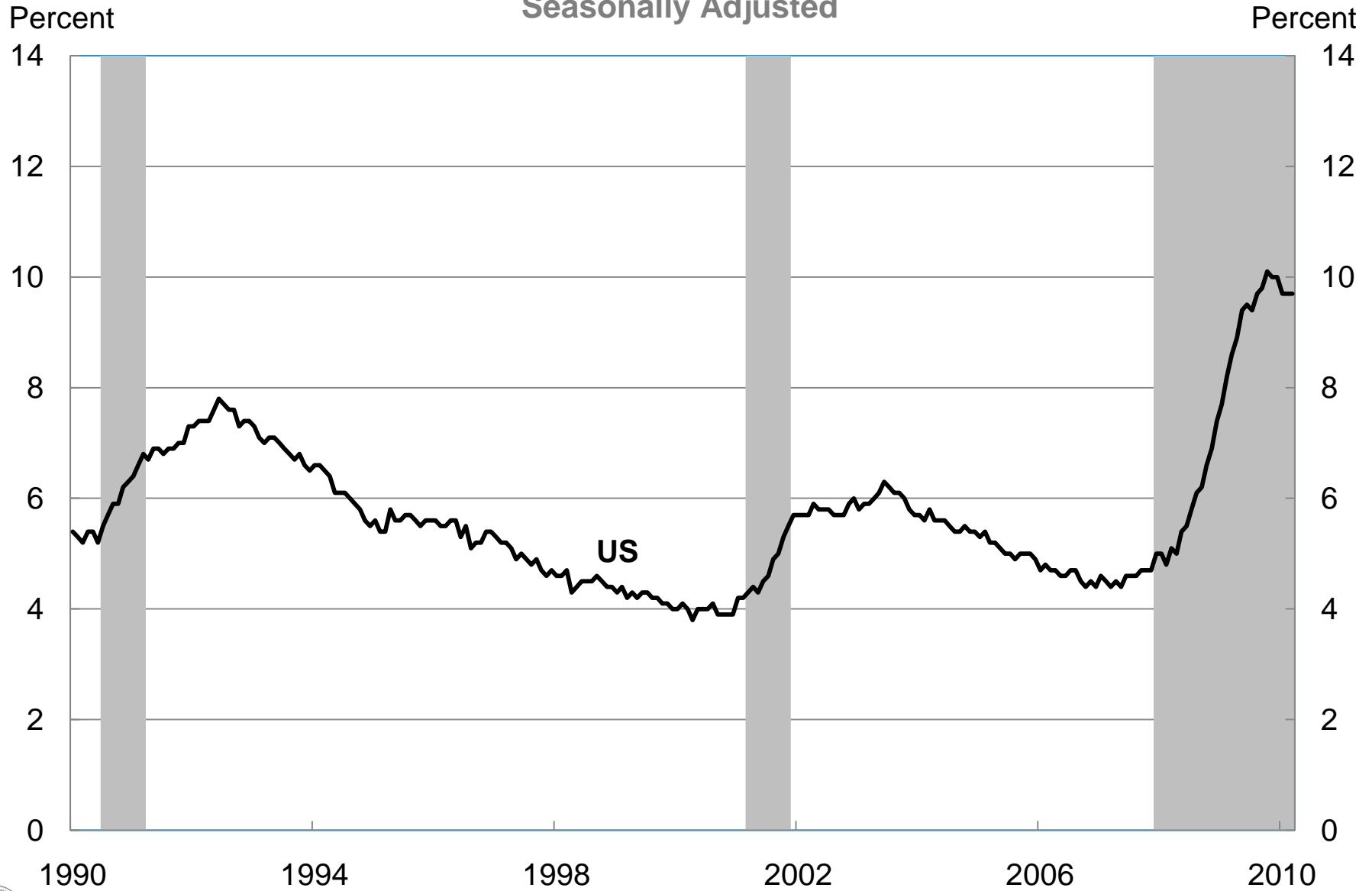
Private-Sector Job Growth

Year Over Year Percent Change in Private Sector Employment



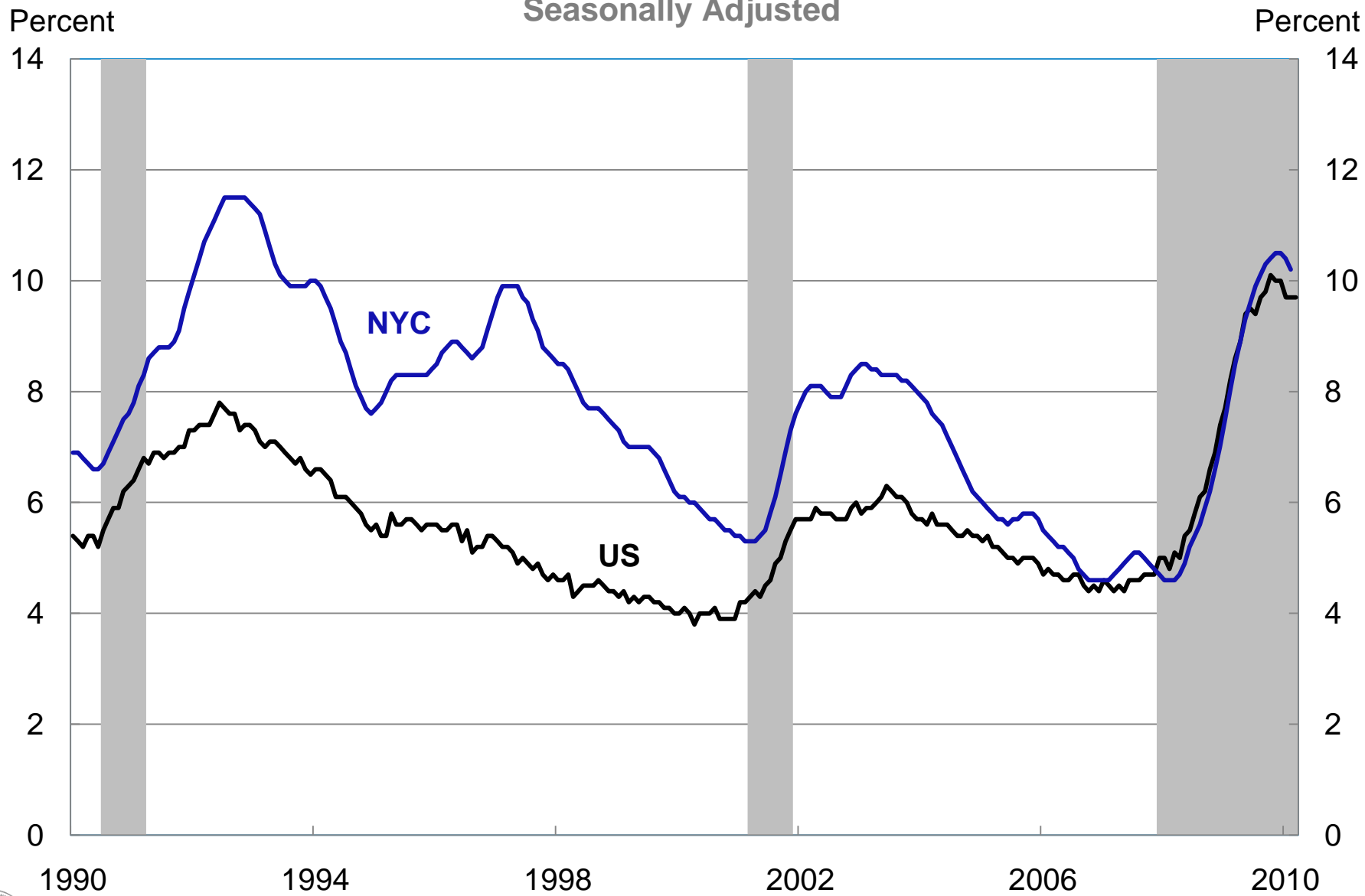
Unemployment Rates

Seasonally Adjusted



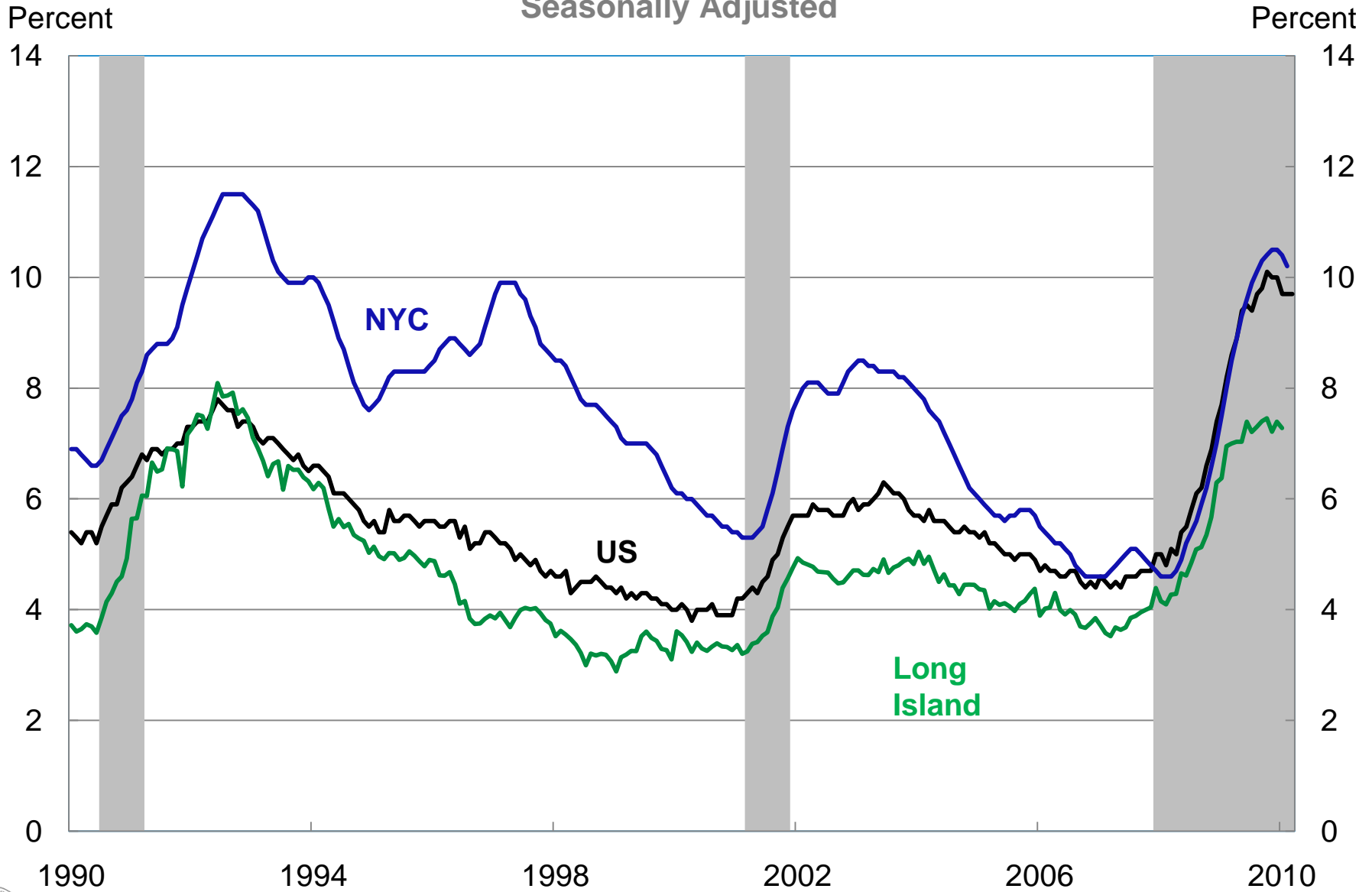
Unemployment Rates

Seasonally Adjusted



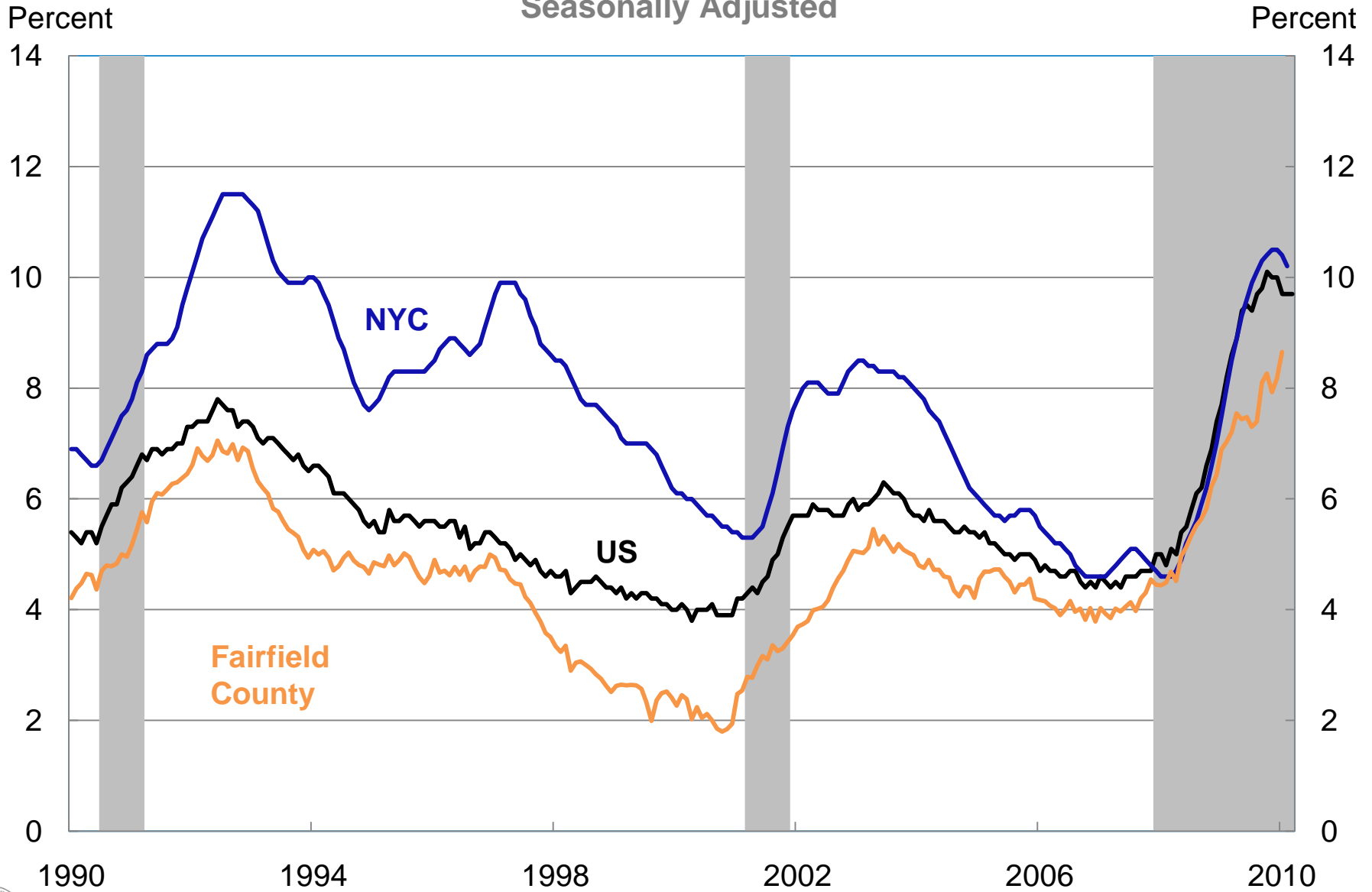
Unemployment Rates

Seasonally Adjusted



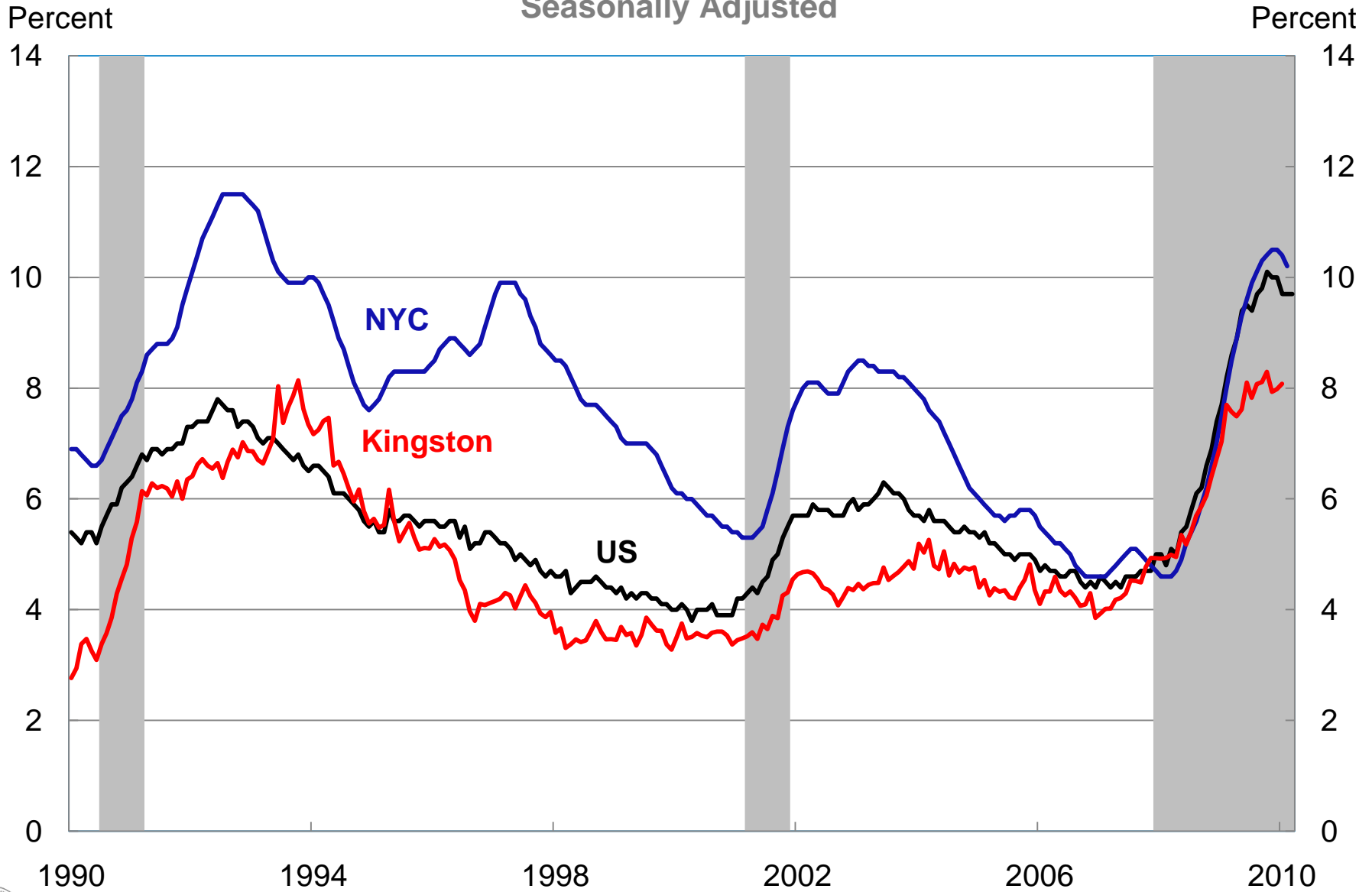
Unemployment Rates

Seasonally Adjusted



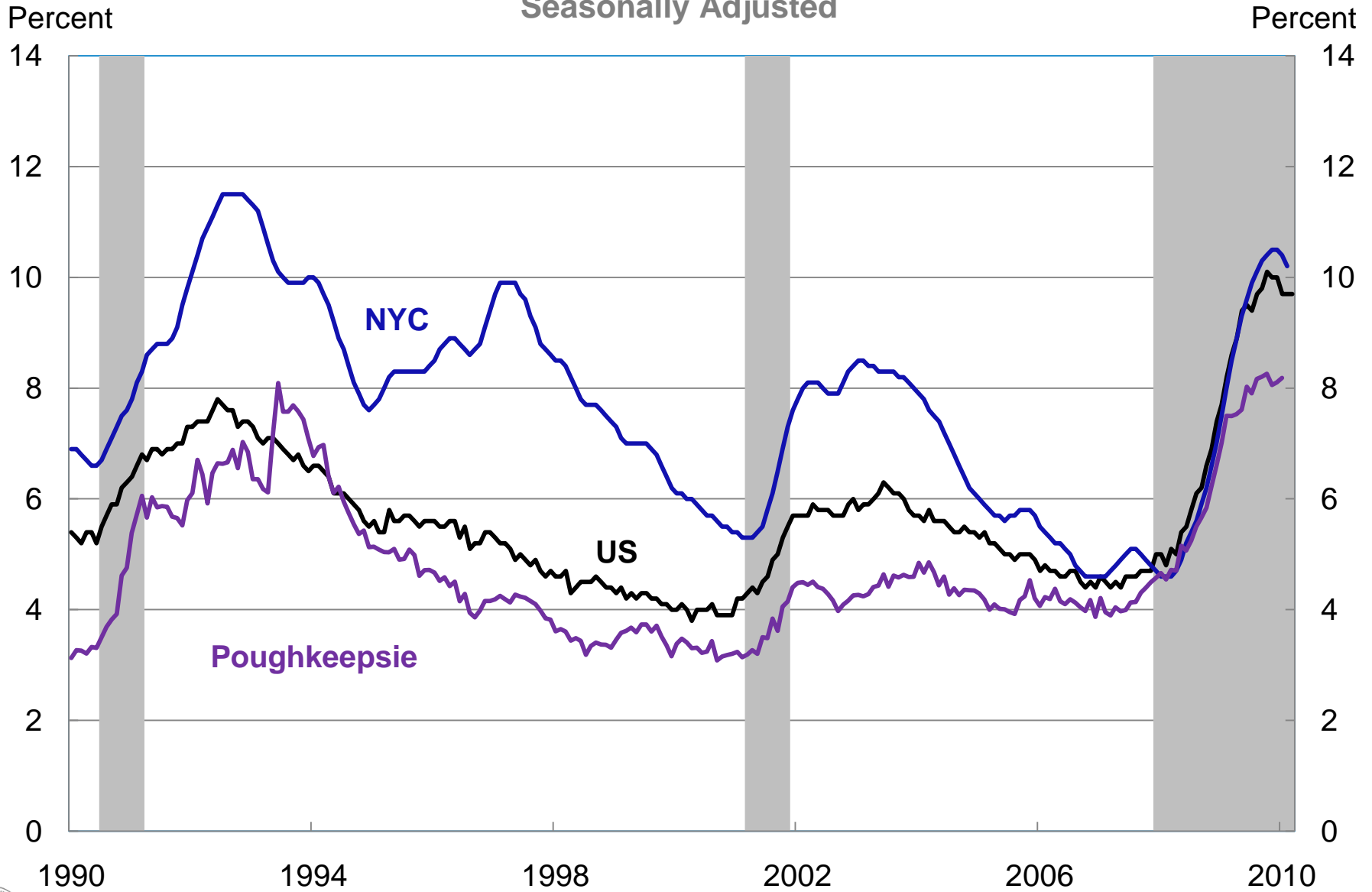
Unemployment Rates

Seasonally Adjusted



Unemployment Rates

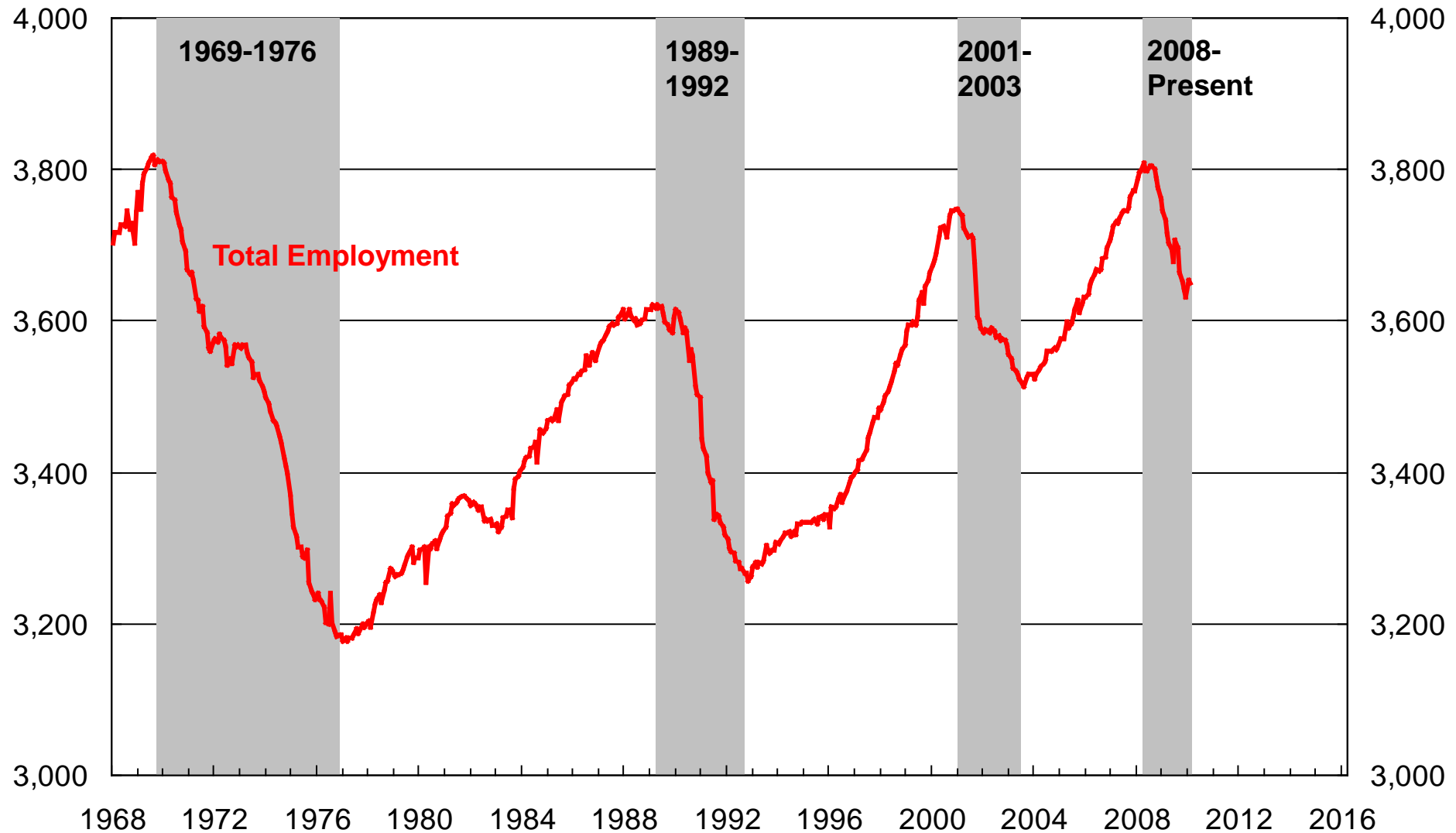
Seasonally Adjusted



NYC Employment

Thousands

Thousands



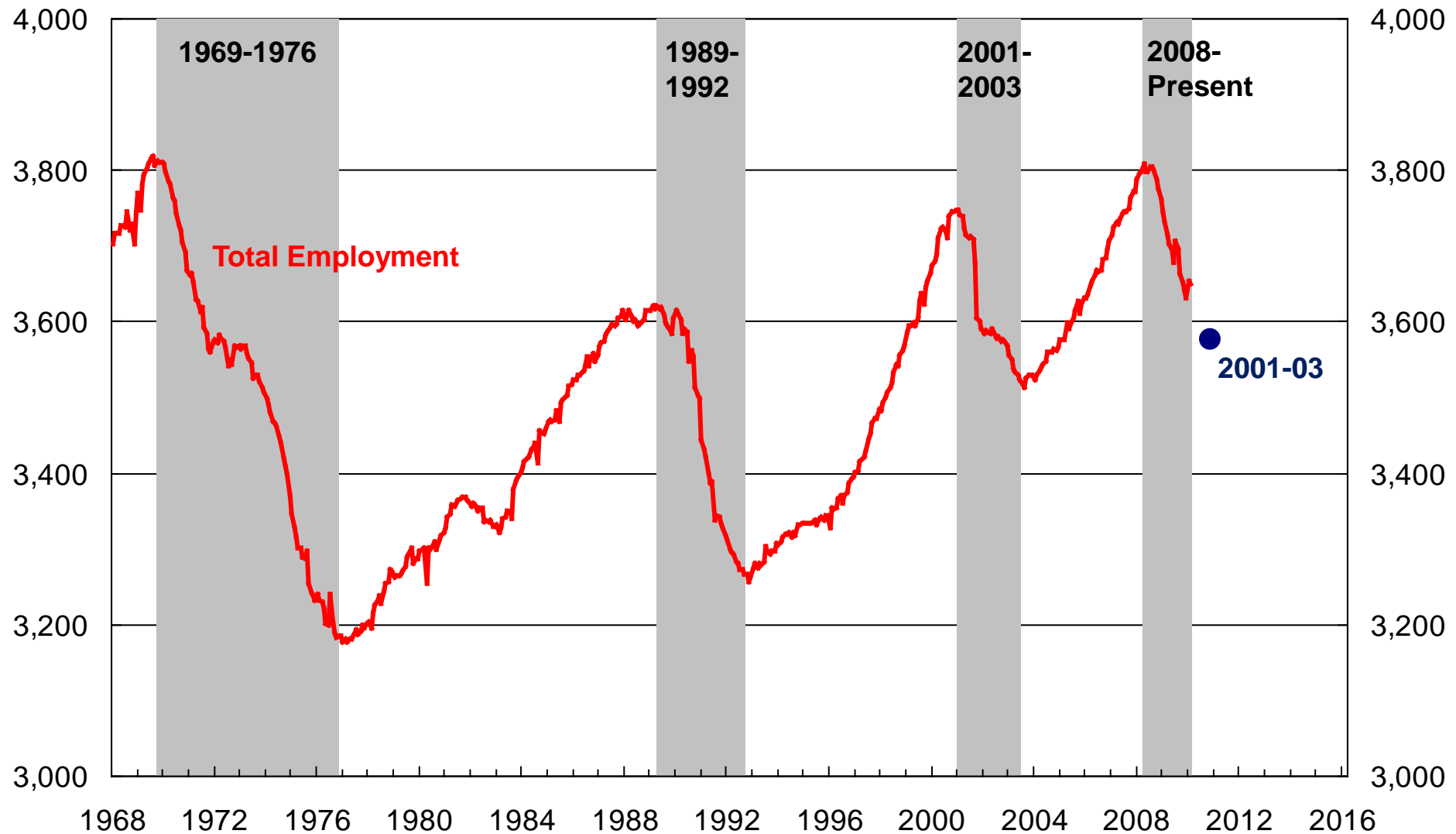
Note: Shading represents local economic downturns.



NYC Employment

Thousands

Thousands



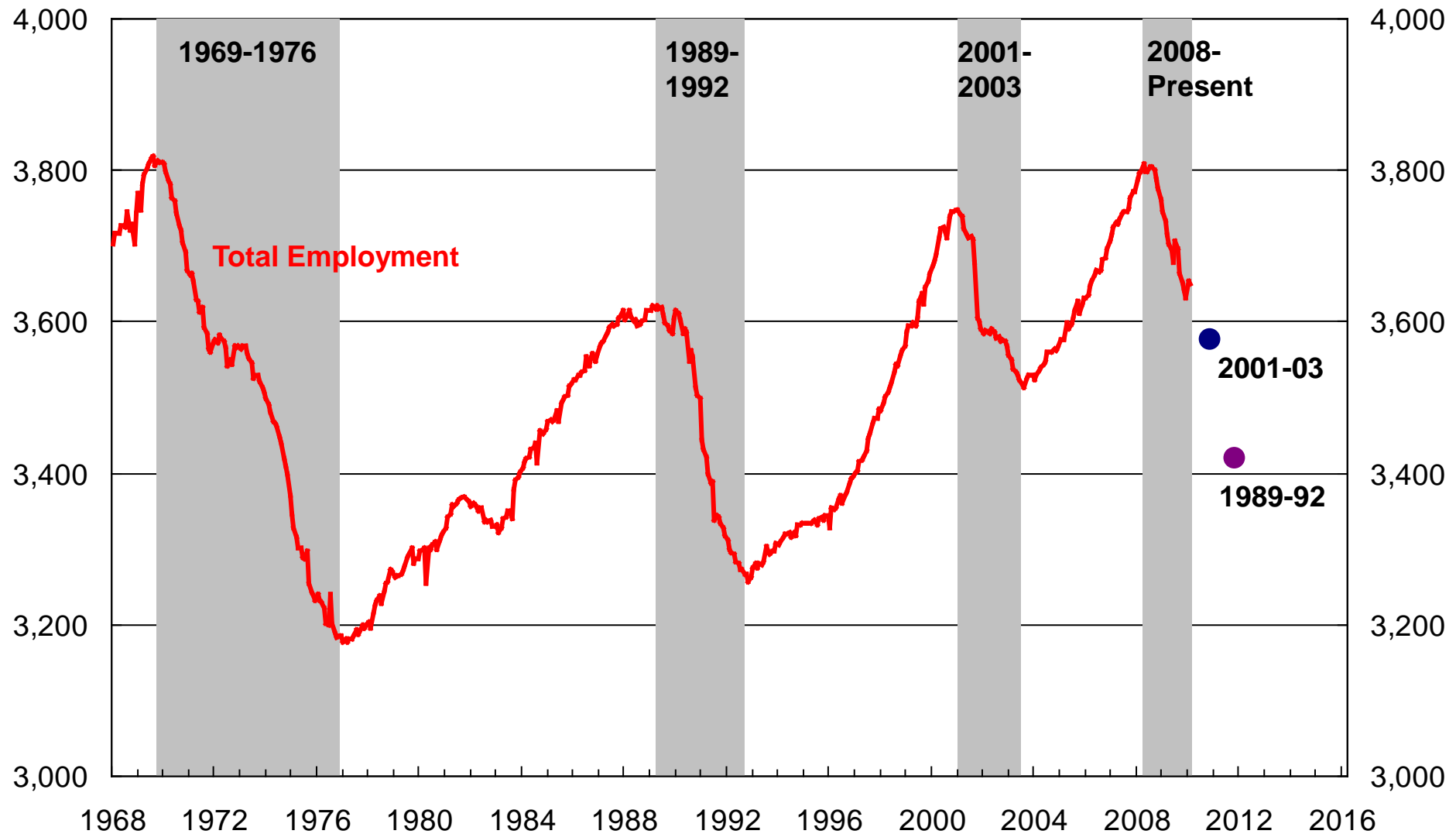
Note: Shading represents local economic downturns.



NYC Employment

Thousands

Thousands



Note: Shading represents local economic downturns.



Job Growth by Sector

Year Over Year Percent Change

	U.S. Feb	NYC Feb	Northern Suburbs Feb	Long Island Feb	Lower Hudson Valley Feb	Fairfield County Feb
Education & Health	1.6	1.4	1.3	1.9	1.2	4.6
Government	-0.5	-3.9	-1.6	-1.2	-1.9	-0.8
Leisure & Hospitality	-1.5	1.7	0.3	3.8	-4.4	1.6
Professional & Business	-2.1	-4.0	-5.3	-1.8	-0.5	-7.6
Retail Trade	-2.1	-0.4	-5.0	0.3	-0.9	-2.8
Wholesale Trade	-2.7	-4.6	-5.7	-3.8	0.0	-4.2
Financial Activities	-3.4	-5.4	-3.9	-2.6	-1.1	-3.0
Securities	-5.0	-9.4	na	na	na	na
Transportation & Utilities	-4.3	-6.4	-3.9	-3.6	-1.0	-0.9
Information	-4.6	-0.6	-6.1	-1.1	-4.8	-4.3
Manufacturing	-6.7	-6.0	-7.7	-5.9	-9.2	-5.6
Construction	-14.1	-11.9	-19.9	-7.9	-9.8	-18.0

Note: 'Construction' category for local areas encompasses mining & natural resources



Summary

- Employment across downstate NY and Fairfield County (CT) has leveled off in early 2010 but has not turned up significantly thus far.
- NYC private-sector employment peaked 6 months into the national recession and has not fallen as deeply.
- Long Island appears to be outperforming NYC and the rest of the region.
- Fairfield County and the Lower Hudson Valley have seen steeper job losses than the rest of the region.
- NYC's key securities industry has registered steep job losses, which continued in February.

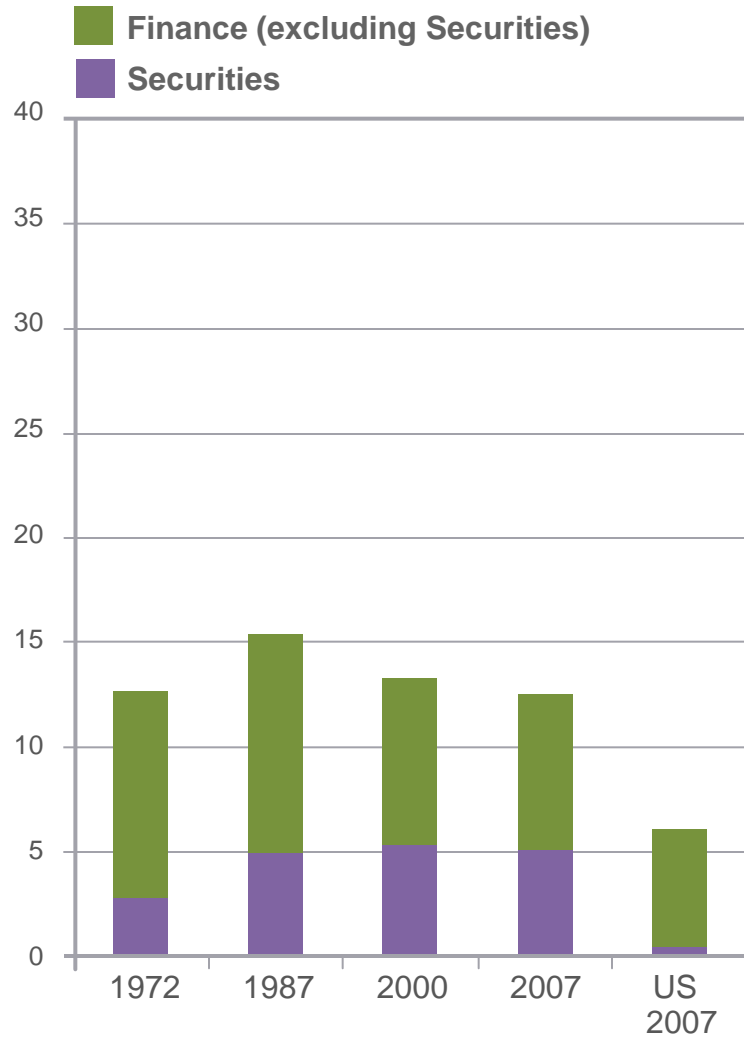


2010 Employment Trends

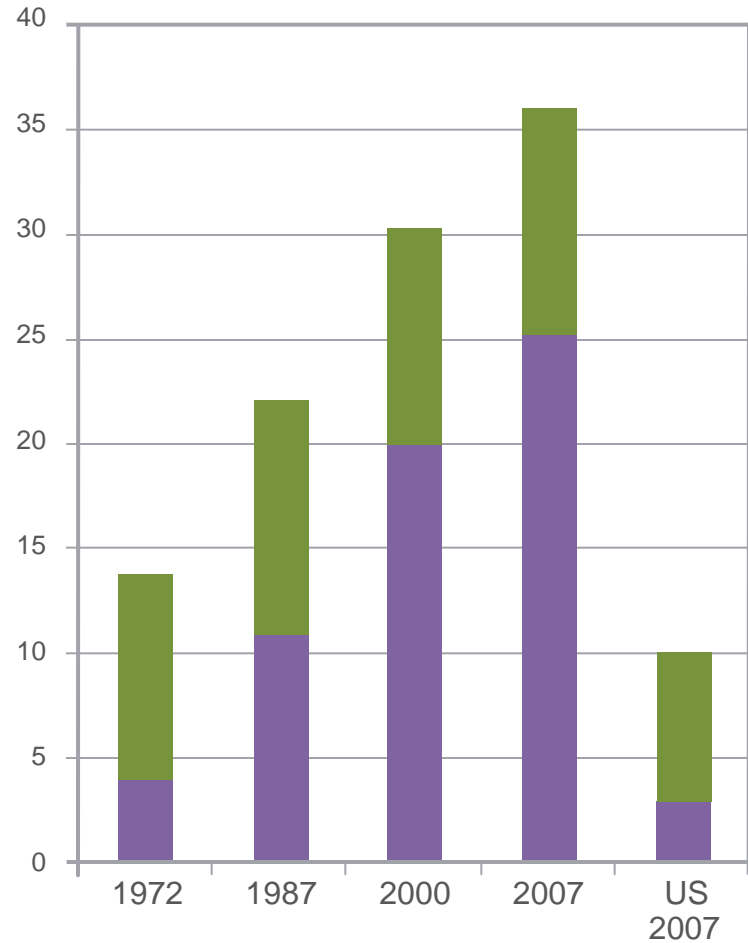


Financial Sector Employment and Earnings

Percent of New York City Total



**New York City
Employment**



**New York City
Earnings**



The New York City Financial Sector

- Central bank
- Securities brokerages and exchanges
- Credit intermediaries and related activities
- Commercial banks, S&Ls, credit unions
- Non-depository institutions
- Mortgage brokers
- Clearinghouses
- Funds, trusts, investment pools
- Insurance firms
- Real estate



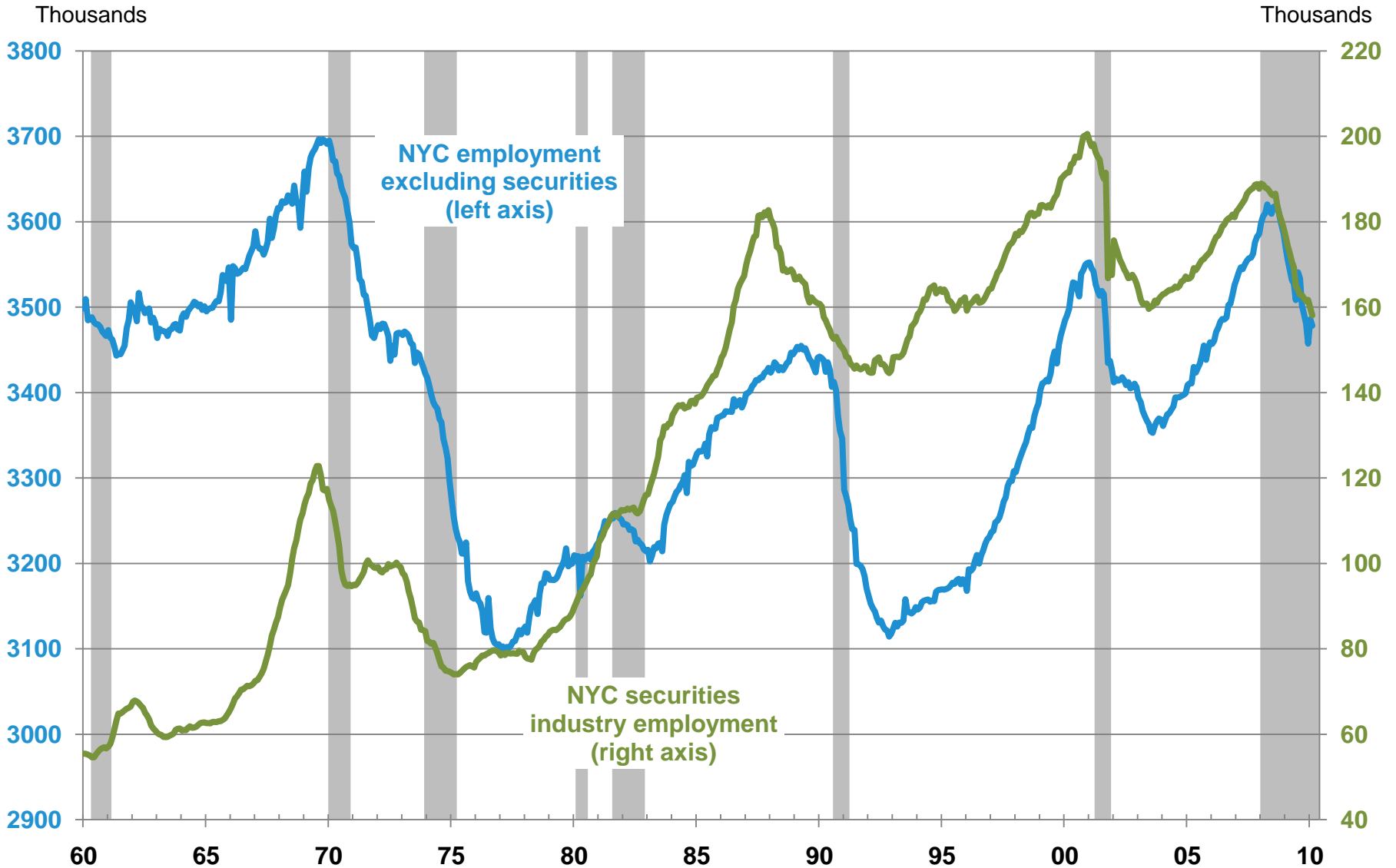
The Financial Sector Impacts the Local, State and Regional Economy

- Average securities wage is 6X the average nonfinancial wage in NYC.
- NYS Comptroller estimates
 - that each securities job in NYC generates
 - 2 other jobs in New York City
 - 1 other job in the suburbs
 - that the securities sector (business and personal income taxes and real estate taxes) accounts for
 - 20 % of NYS taxes
 - 12 % of NYC taxes
- Many jobs in business and professional services depend upon this sector.



NYC Employment: Securities and All Other

Seasonally Adjusted



Previous Major Financial Downturns in NYC

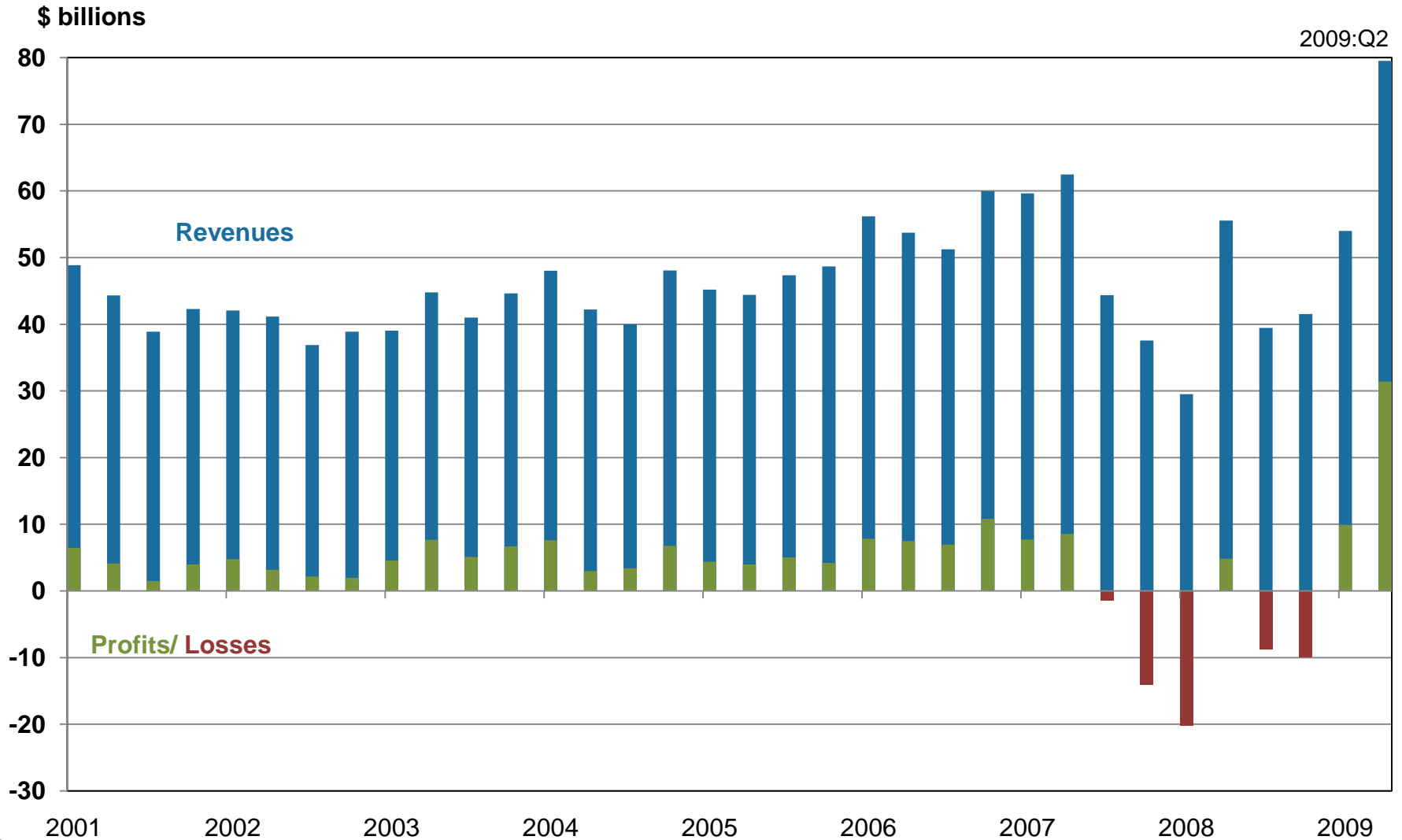
Downturn	Decline in Financial Activities Employment	Decline in Securities Industry Employment	Decline in Total City Employment	Decline in Real Securities Earnings
1969 – 1976	61,000 (13%)	49,000 (40%)	641,000 (17%)	35%
1987 – 1993	95,000 (17%)	38,000 (21%)	356,000 (10%)	14%
2000 – 2003	61,000 (12%)	41,000 (20%)	239,000 (6%)	34%
2007 - present	48,000 (10%)	31,000 (16%)	189,000 (5%)	32%

Note: Peaks and troughs vary for each category; listed peaks and troughs correspond with NYC total employment.



U.S. Securities Industry Quarterly Profits & Revenues

Broker Dealers Doing a Public Business in the U.S.



Note: Profits are pre-tax. Revenues are net of interest expense.

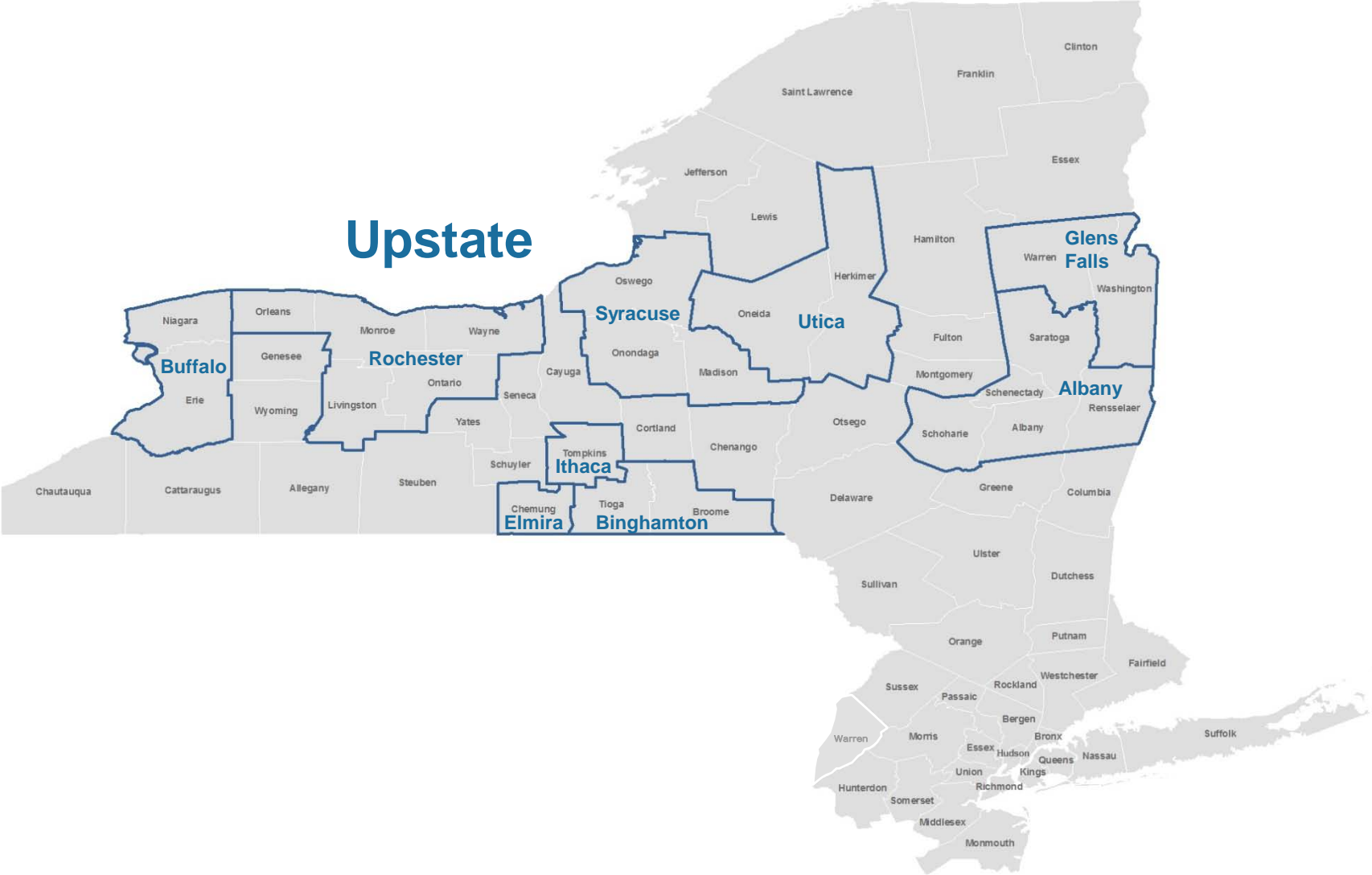


Summary

- NYC is increasingly dependent on high income/high variance securities sector.
- This financial crisis is similar to prior downturns with security job losses totaling 16 percent to date while real earnings in securities have totaled 32 percent.
- Because the compensation of each securities job is 6X that of the average nonfinancial job, these job losses have far-reaching impact in terms of demand for other goods and services and fiscal effects.
- The stress on state and local budgets adds additional downward pressure to the weak state and local economies in the region.

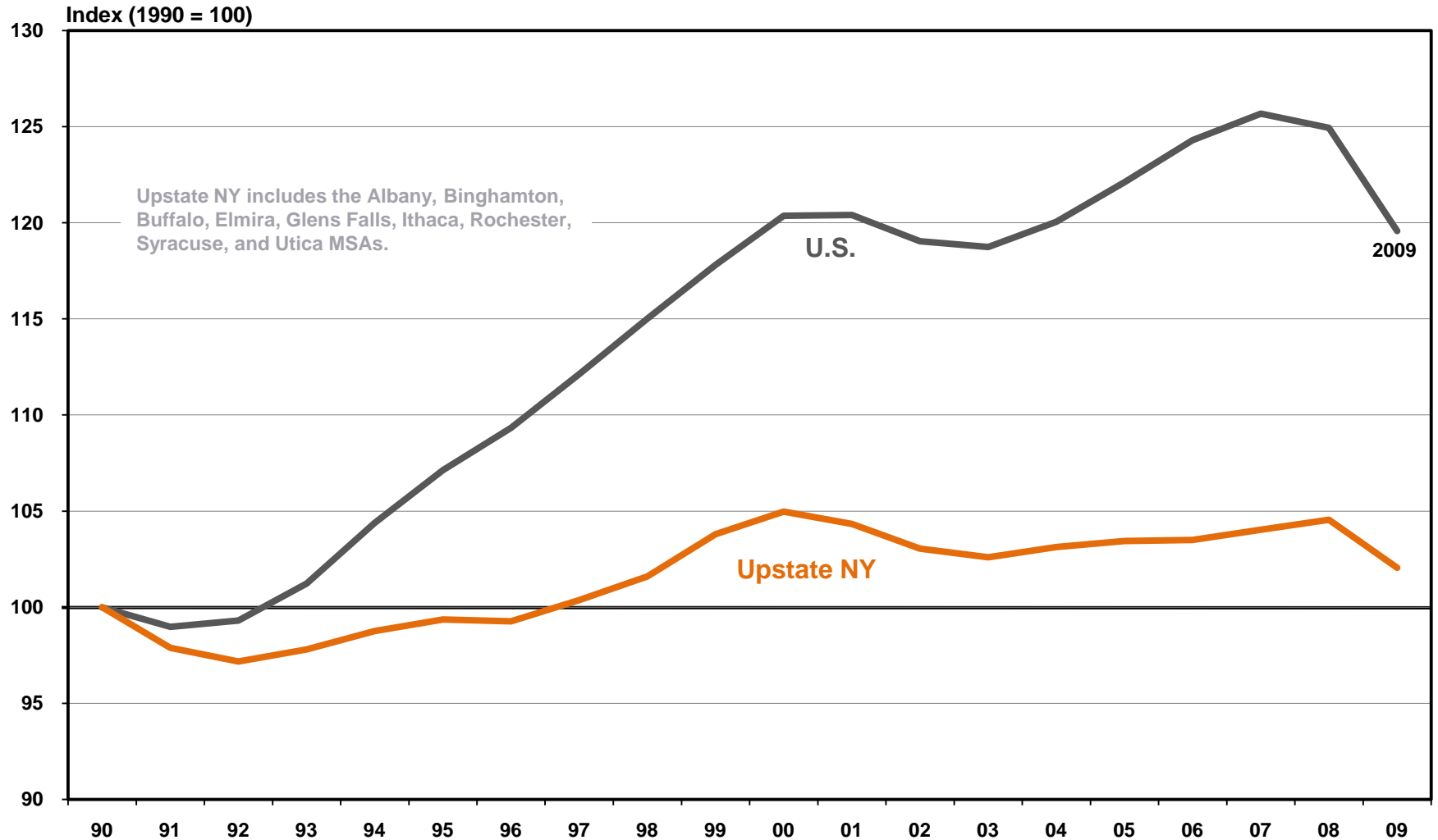


2010 Employment Trends



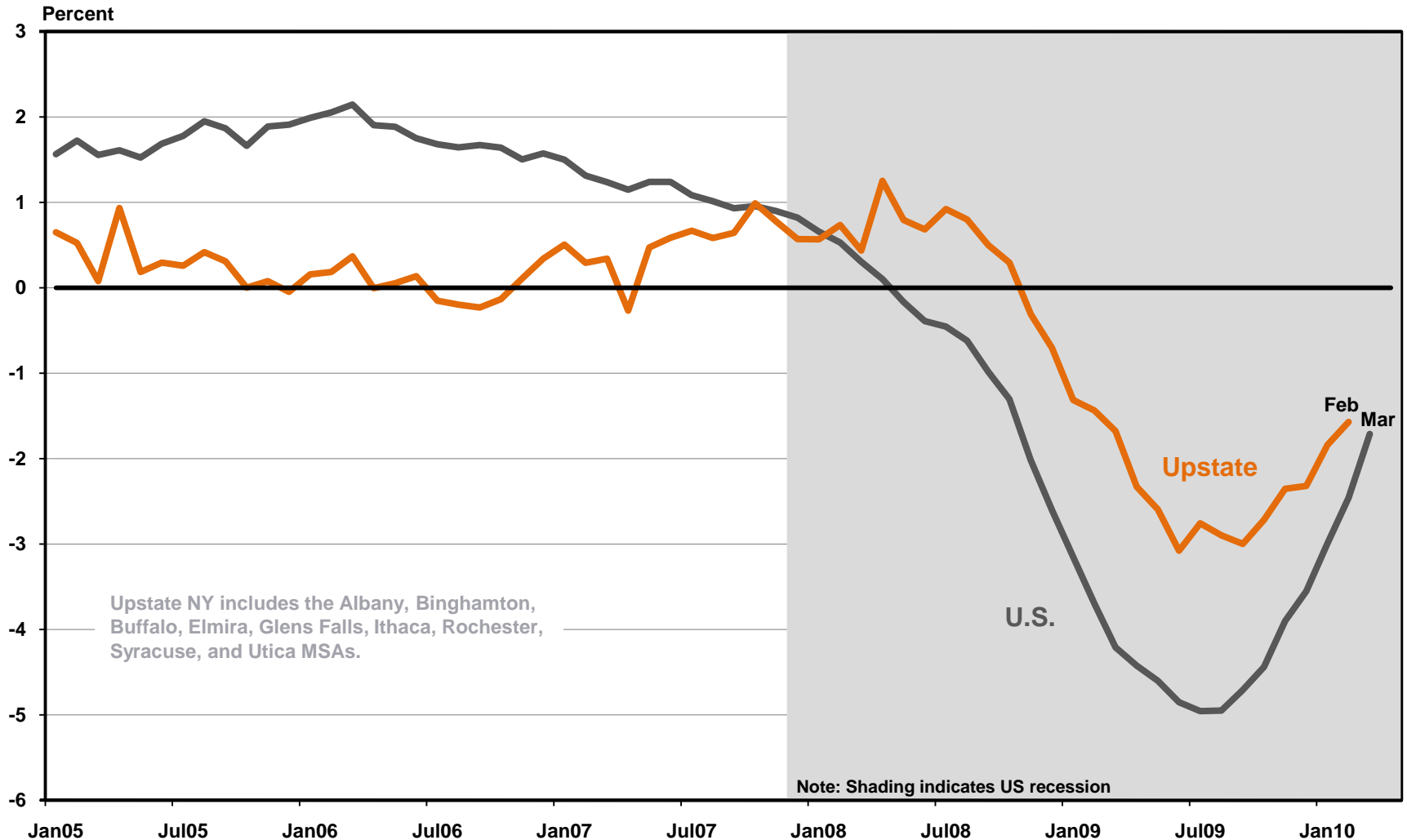
Little Job Growth Over the Longer Term

Employment Index



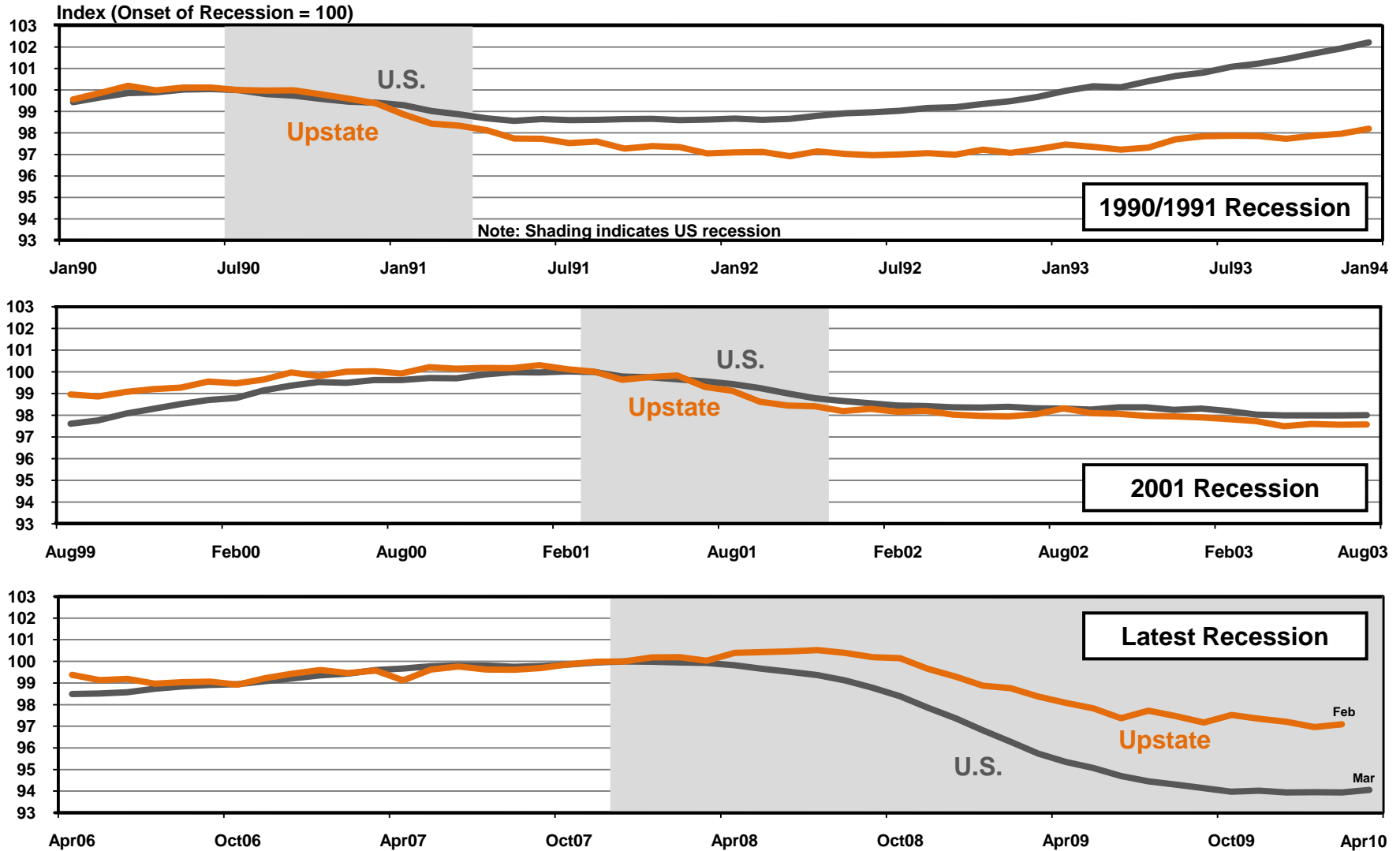
Upstate Outperforming U.S. During the Recession

Monthly Year-Over-Year Percent Change in Employment



Recession Employment Dynamics

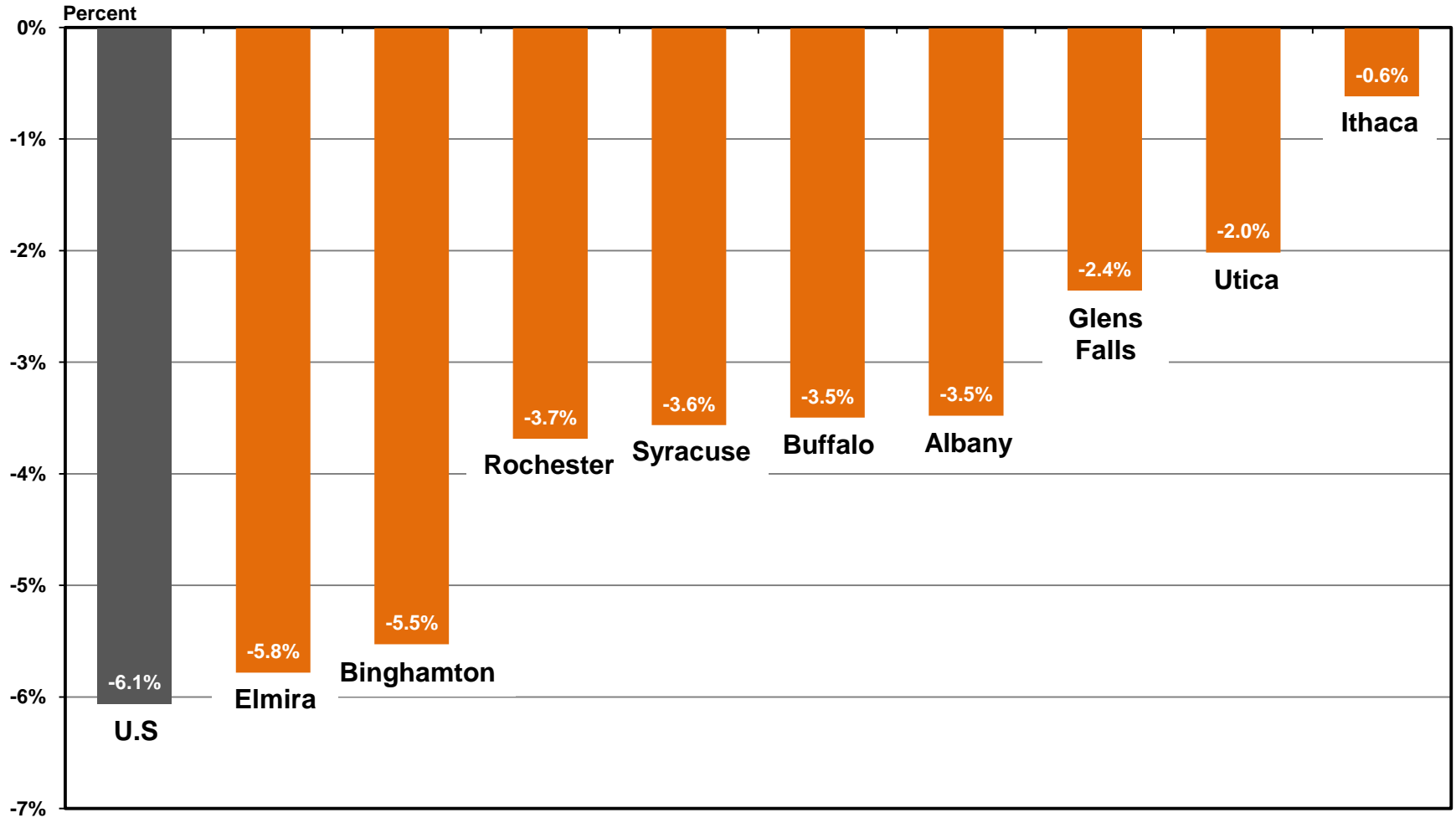
Past Three Cycles





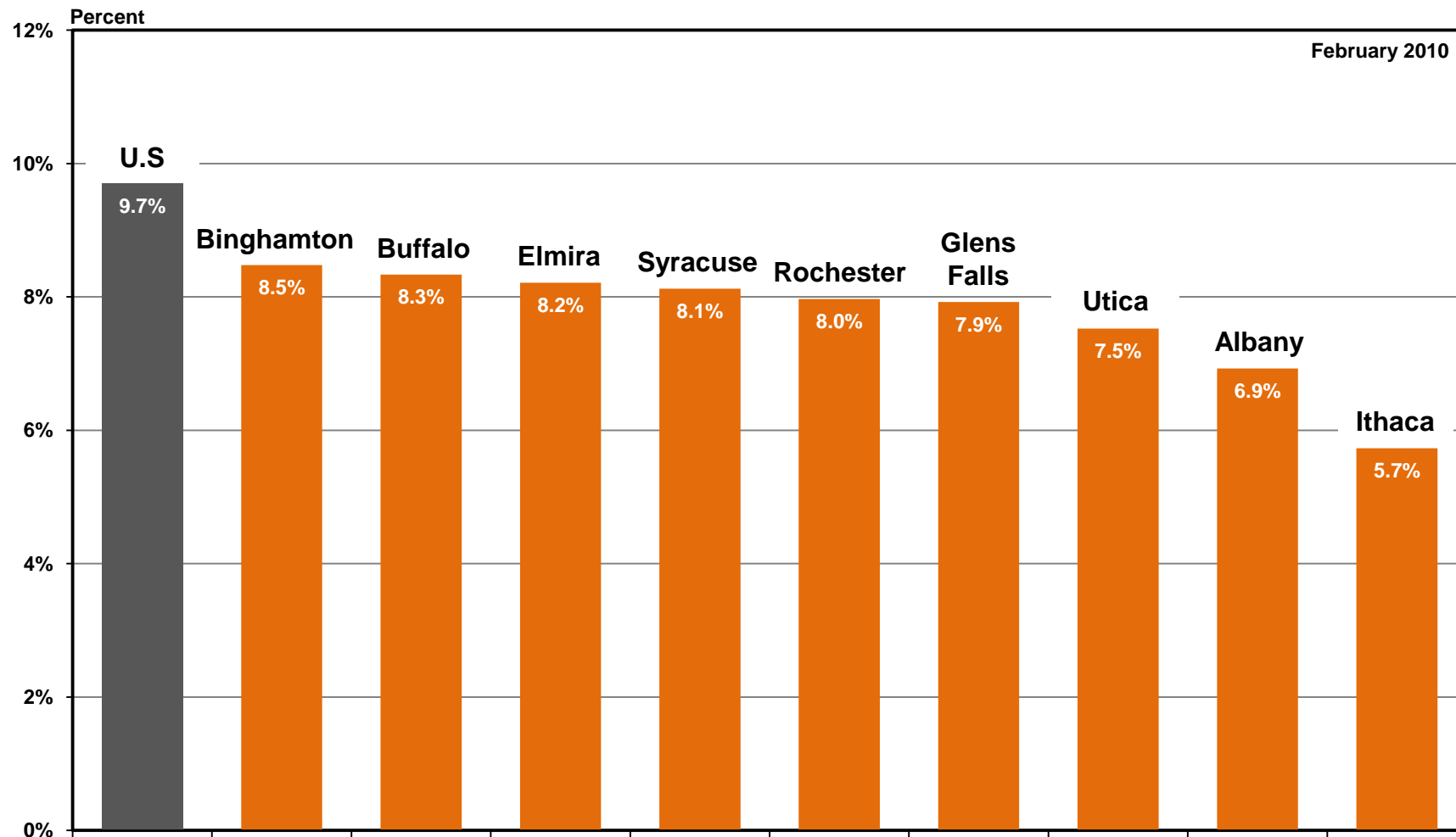
Total Employment Loss

Local Peak Through February 2010



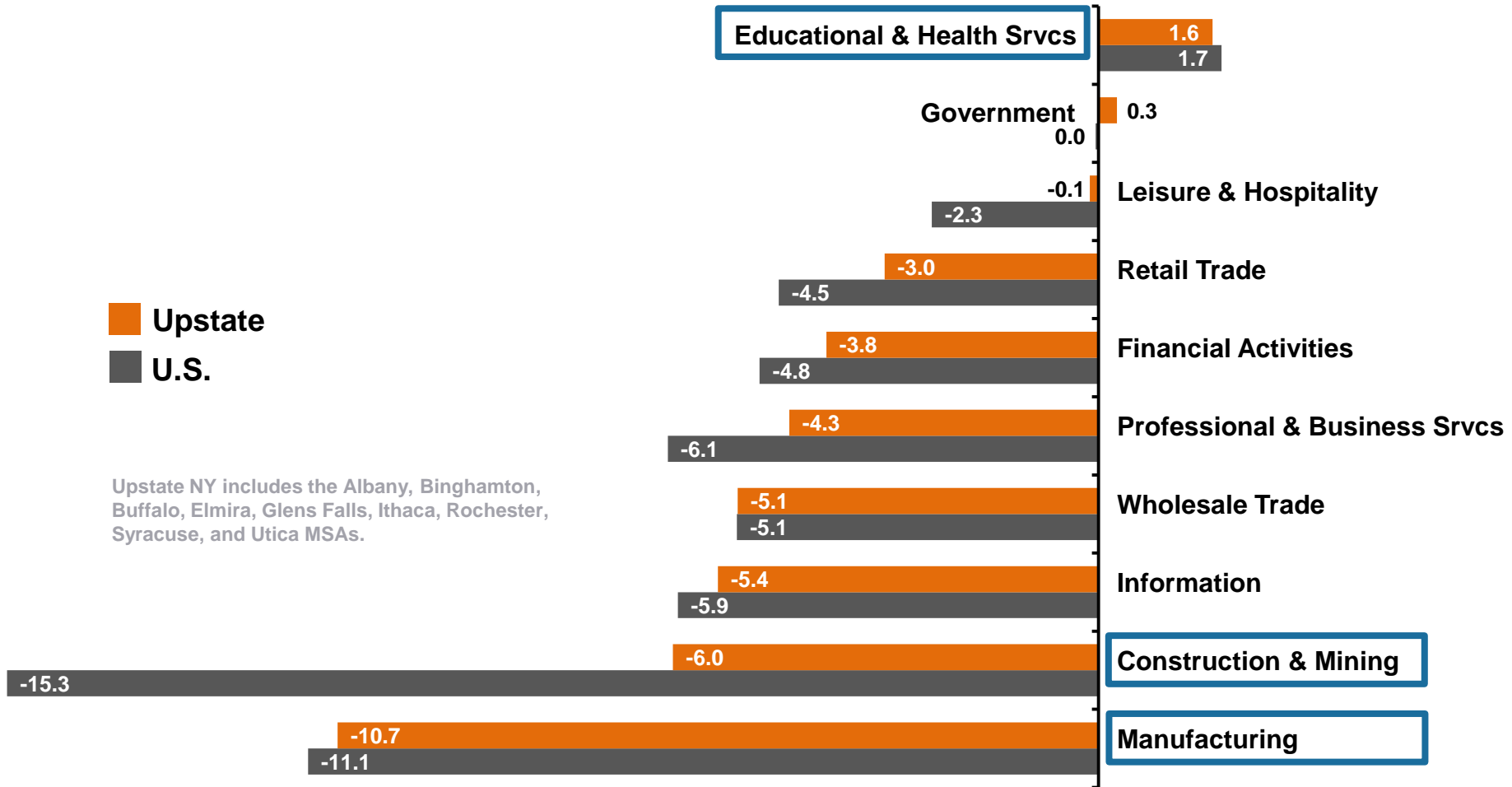
Unemployment Rates Lower Than Average

Seasonally Adjusted



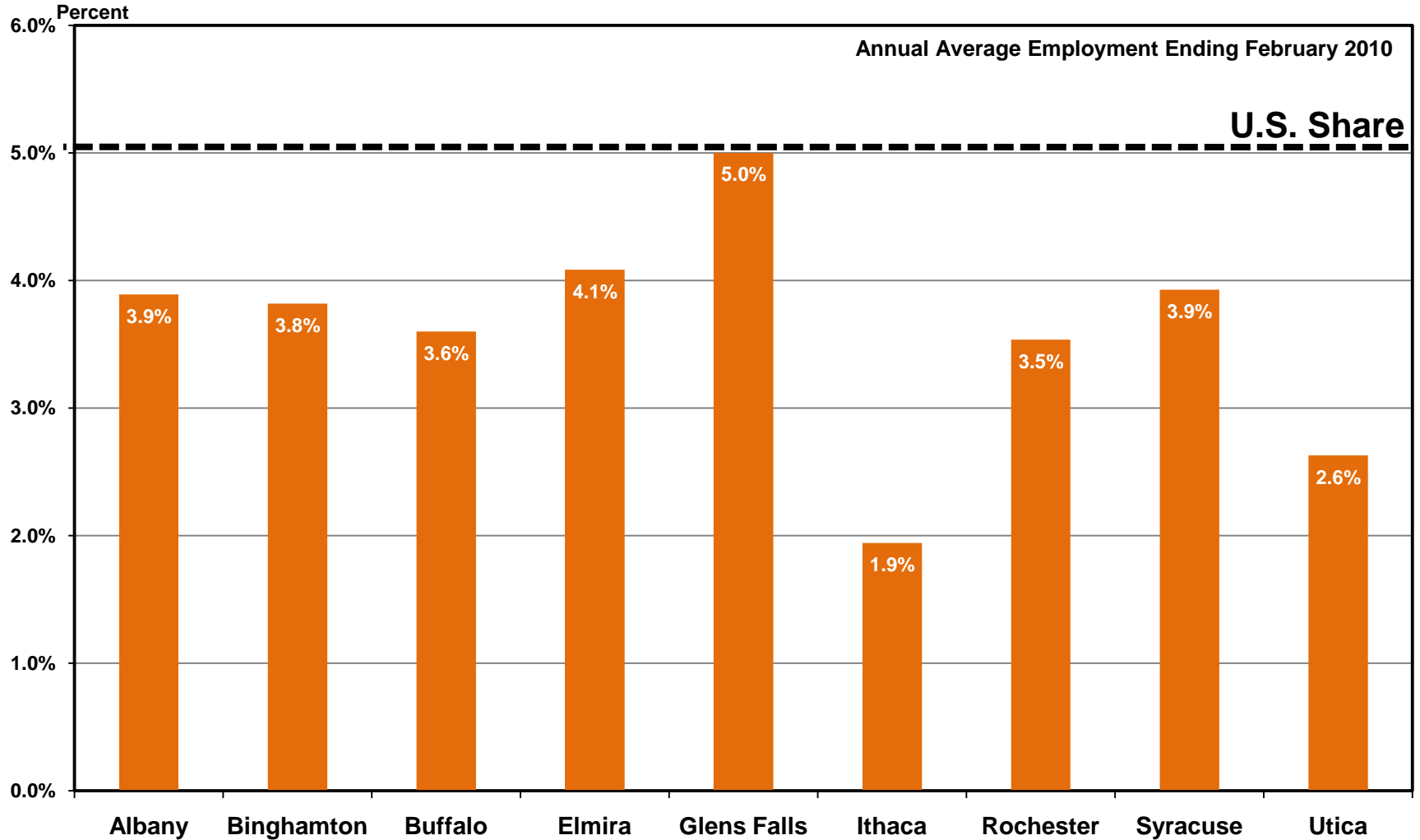
Job Growth by Sector

12-Month Percent Change Ending February 2010



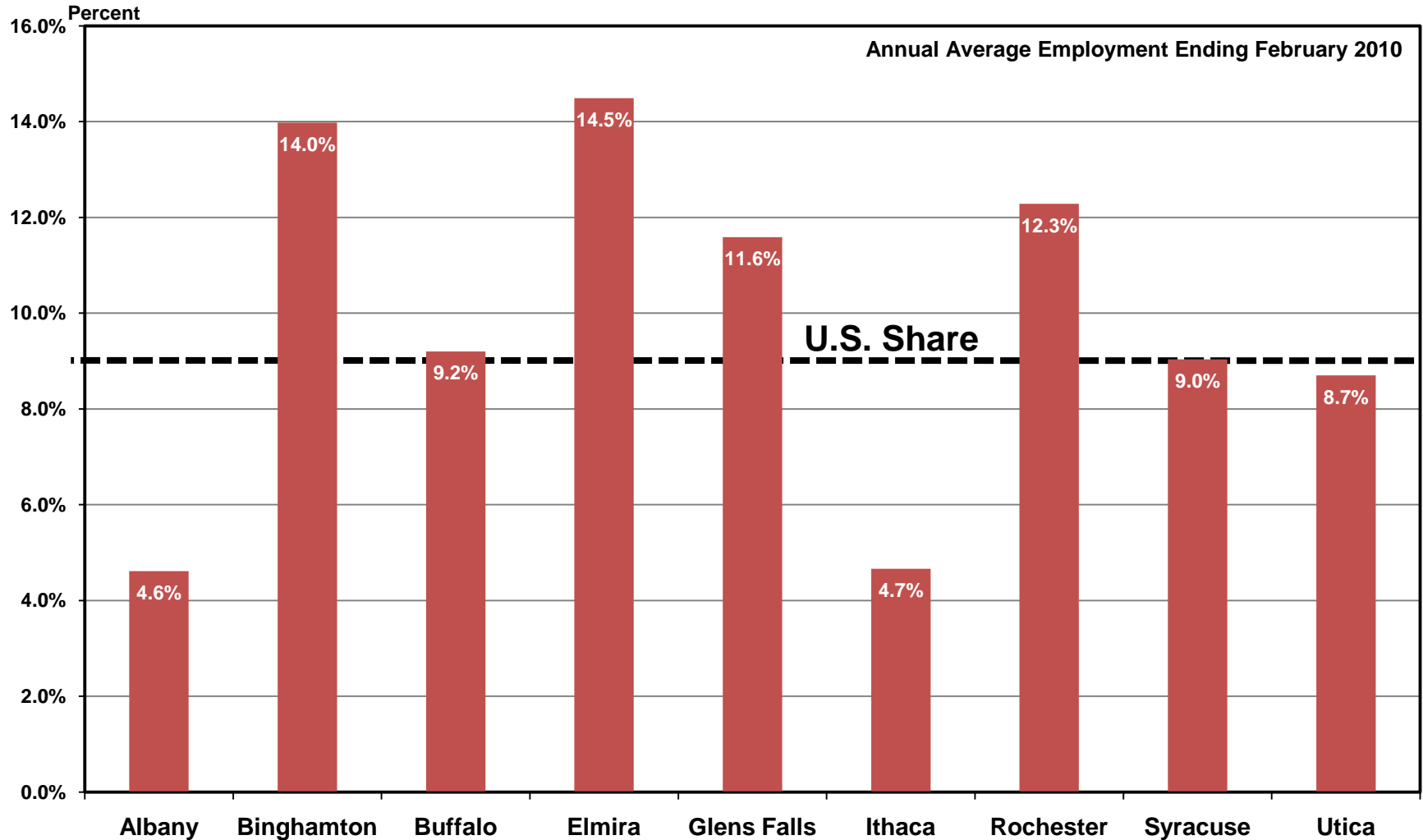
Construction: Smaller Share of Jobs & Lower Rate of Job Loss

Share of Total Employment



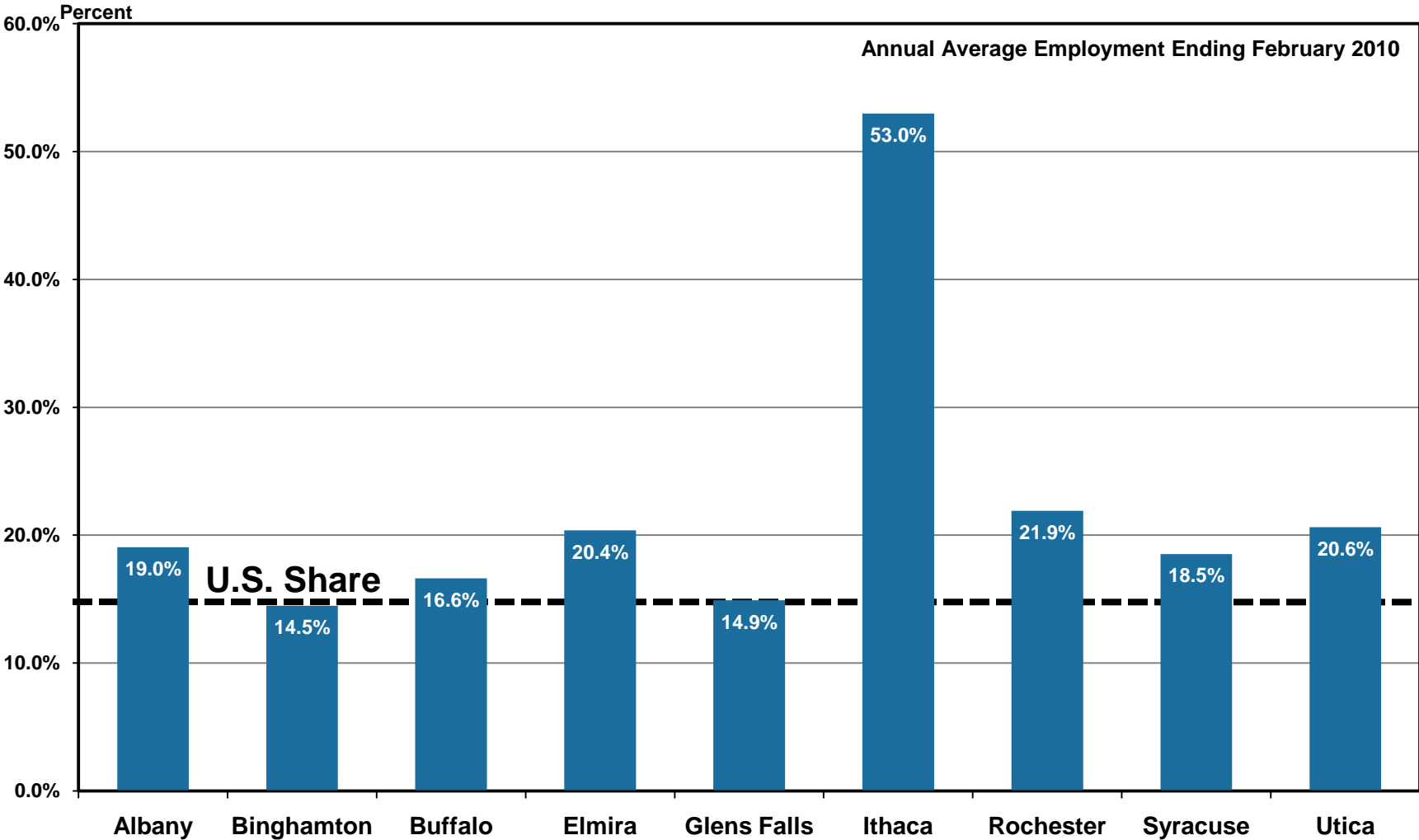
Manufacturing: Larger Share of Jobs in Much of Upstate

Share of Total Employment



Education and Health Services: Larger Share of Jobs

Share of Total Employment



2010 Upstate Employment Trends

Summary

- Job loss during the recession in upstate New York has been less severe than the nation.
 - Construction is the largest source of job loss for the U.S.; its smaller share of employment upstate coupled with a slower rate of decline explains the region's more stable performance.
 - Growth in educational and health services has helped balance out declines in other job sectors.
- Binghamton and Elmira have been the worst performing metros in the region; Utica, Glens Falls, and Ithaca are doing far better than the nation.



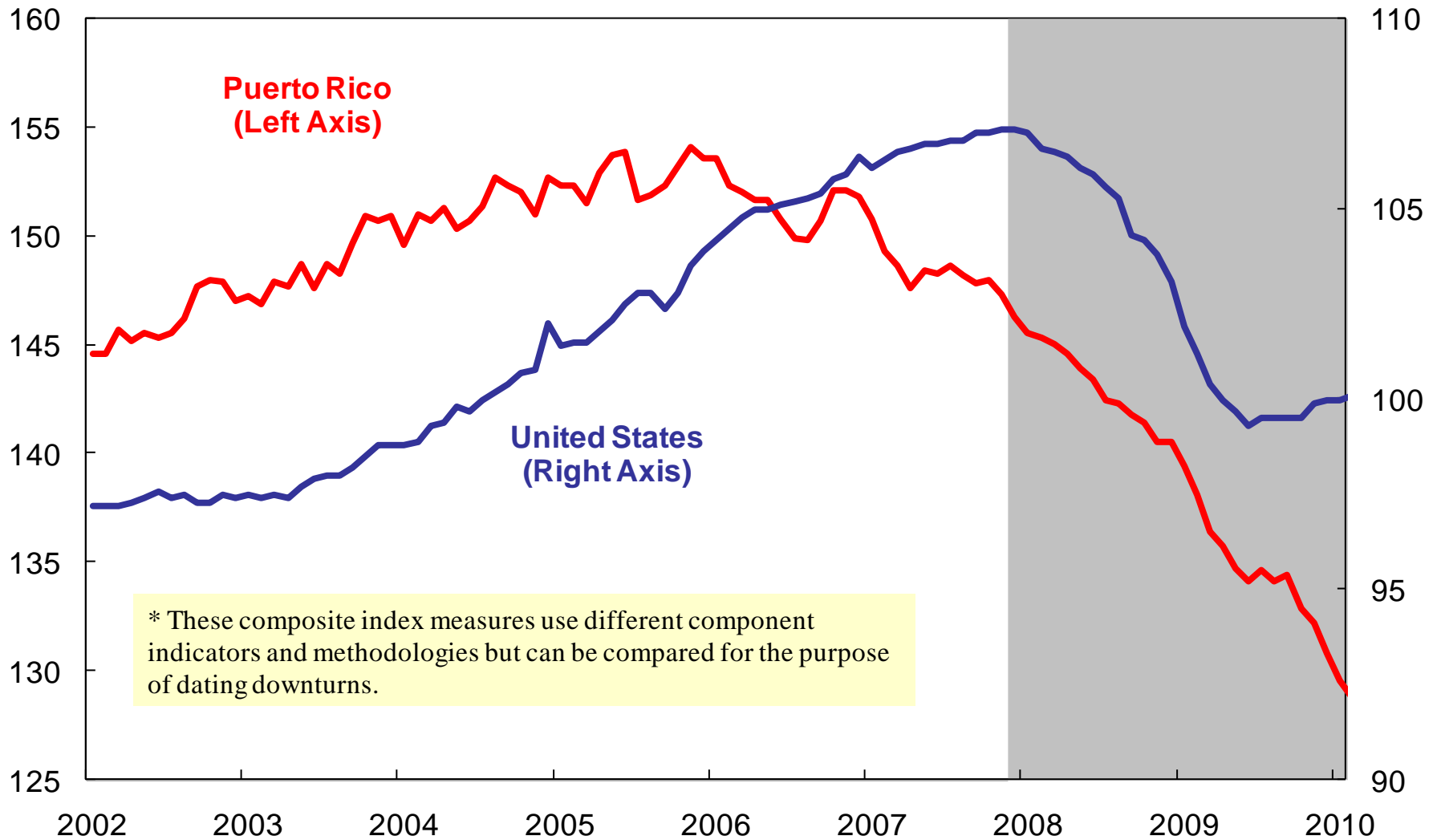
2010 Employment Trends



Measures of Economic Activity*

Index (Jan 1980 = 100)

Index (2004 = 100)

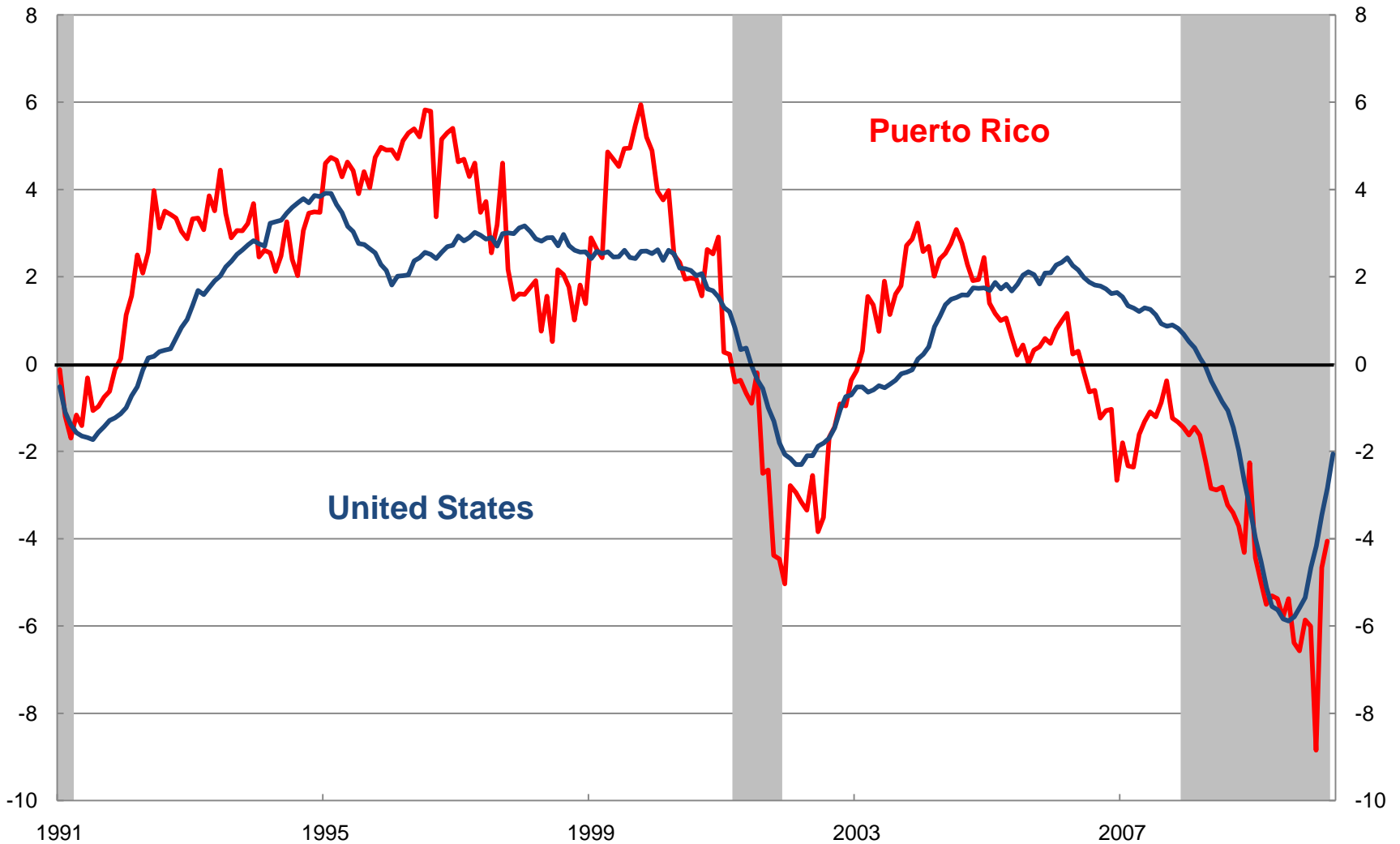


Growth in Private Nonfarm Employment

Puerto Rico and US

% Change Year to Year

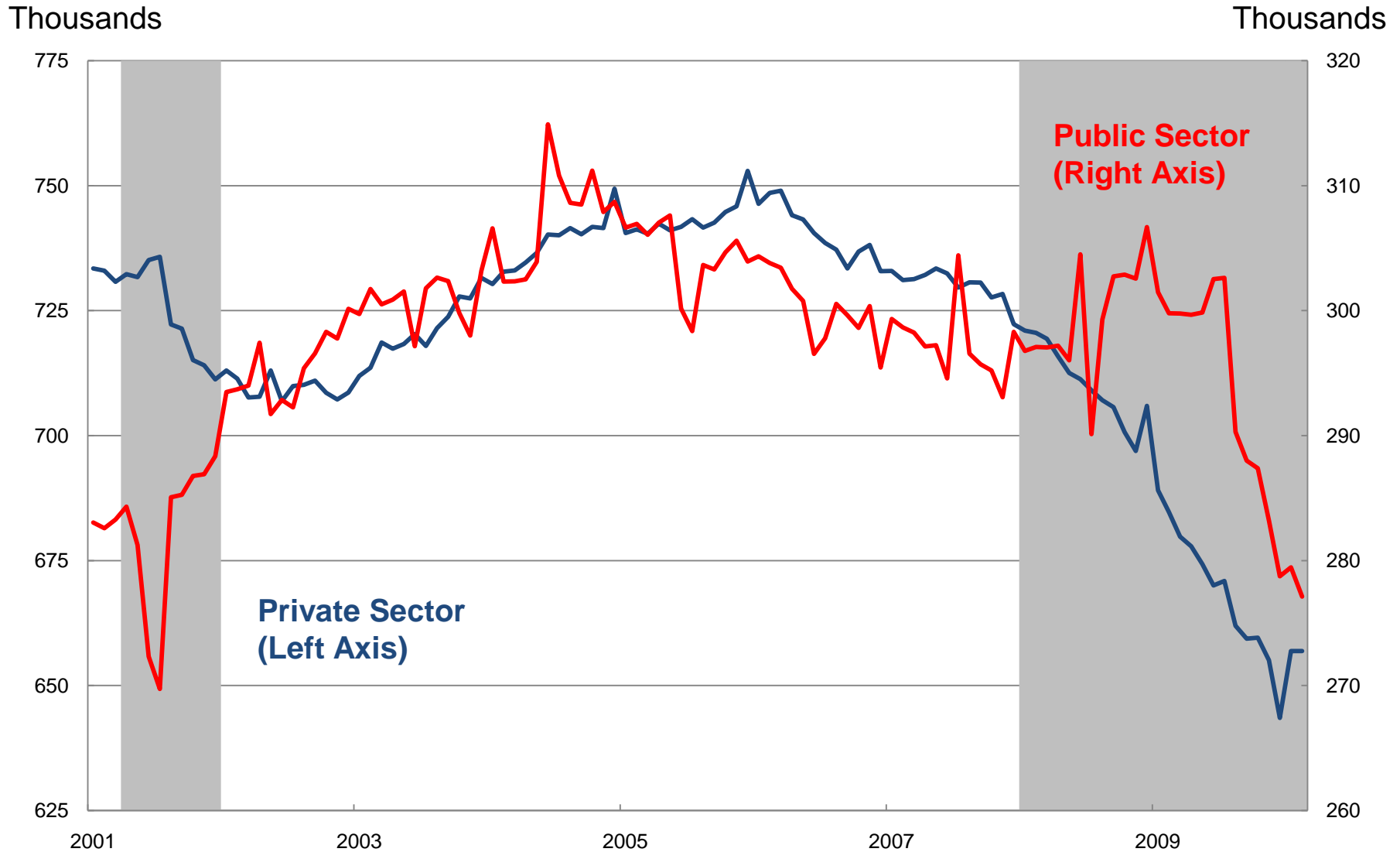
% Change Year to Year



Source: Bureau of Labor Statistics, Dept. of Labor and Human Resources



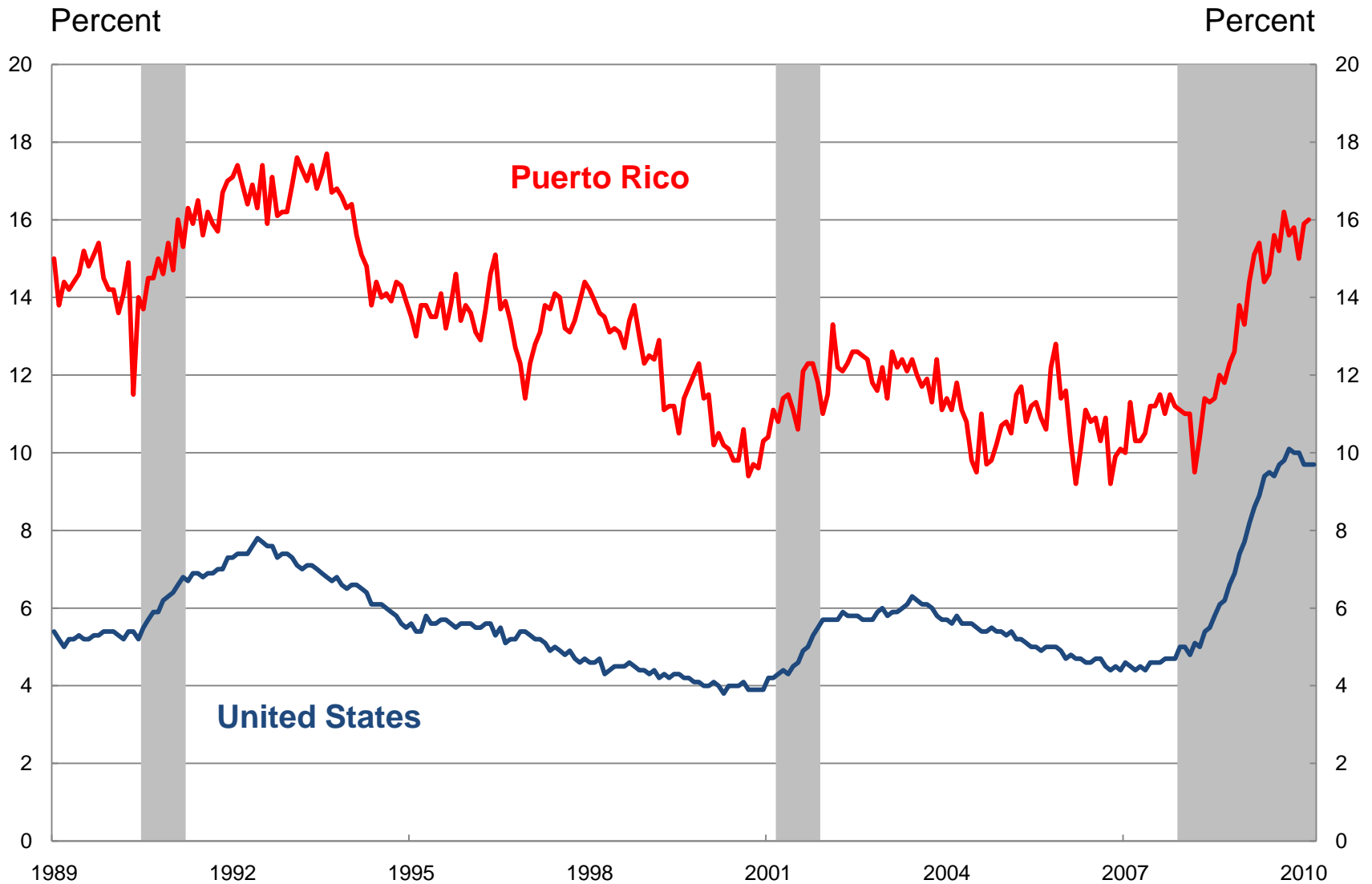
Puerto Rico Employment: Private and Public Sector



Source: Bureau of Labor Statistics, Dept. of Labor and Human Resources



Unemployment Rate



Source: Bureau of Labor Statistics, Economy.com



Summary

- Puerto Rico's recession started nearly 2 years before the mainland's and has been much deeper.
- Based on a coincident economic index, the island's economy has yet to show signs of bottoming out.
- Private-sector employment appears to have leveled off, but public-sector employment—nearly 30% of all jobs—has fallen sharply since mid 2009.
- The unemployment rate, which typically runs high in Puerto Rico, is currently around 16%; still, this is 1-2 percentage points lower than in the early 1990s.



2010 REGIONAL EMPLOYMENT BRIEFING

Regional Tools and Resources from the New York Fed

Erica Groshen



Regional tools and resources from the New York Fed

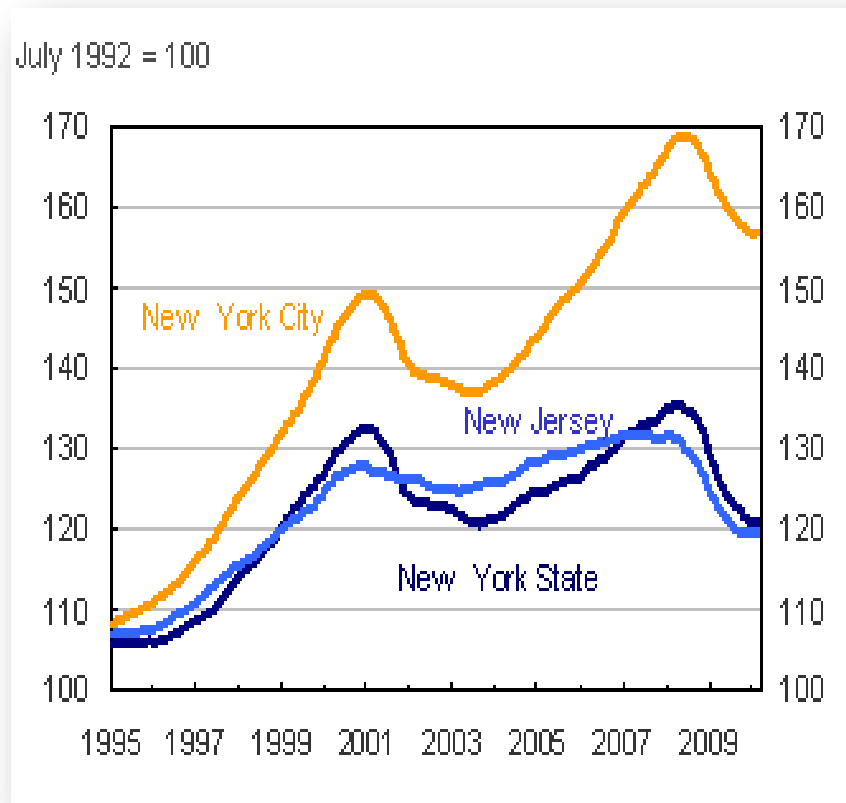
- Varied, current perspectives on regional conditions
 - To inform economic and policy decision-makers
- Regional data and indicators
 - *Index of Coincident Economic Indicators*
 - *Empire State Manufacturing Survey*
 - *Beige Book*
 - Economic indicator charts
- Publications
 - *Second District Highlights (Current Issues)*
 - *Facts & Trends*
 - *Staff Reports and Economic Policy Review*
- Tools
 - *U.S. Credit Conditions* portal

www.newyorkfed.org/creditconditions



Index of Coincident Economic Indicators

- Released monthly by New York Fed
- Comprehensive, timely gauge of regional economic activity
- Constructed from public data



- Where to find it:
http://www.ny.frb.org/research/regional_economy/coincident_summary.html

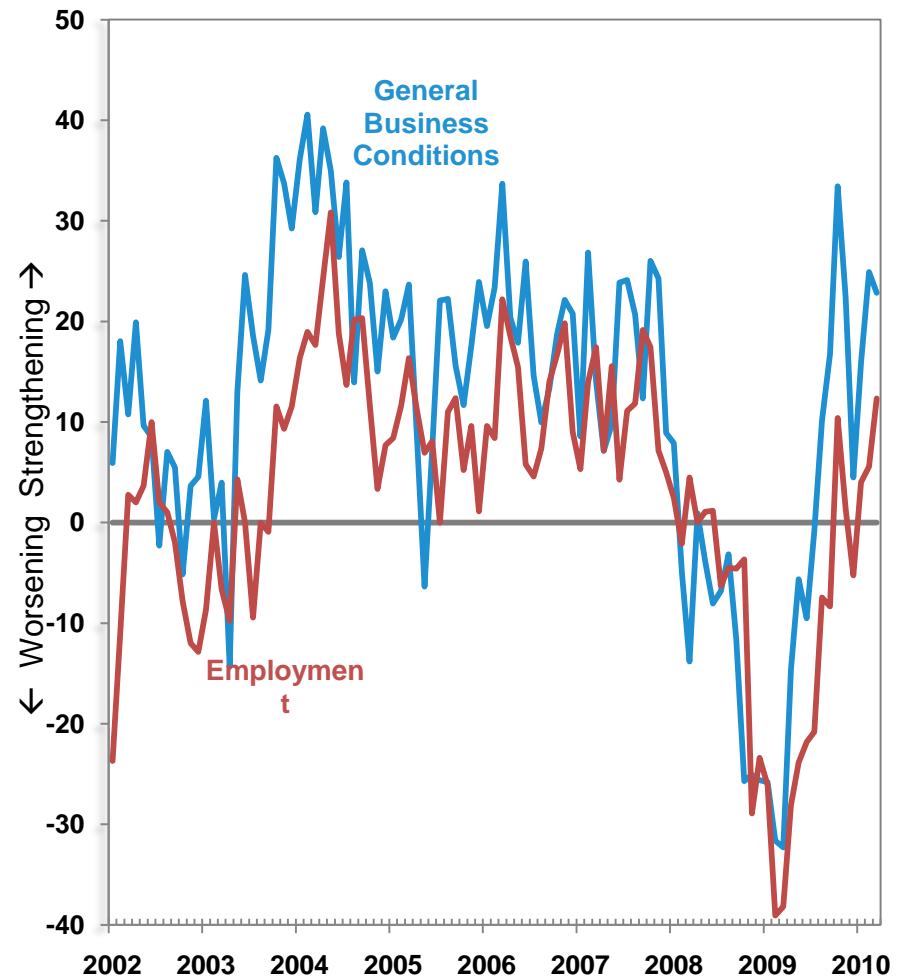
Empire State Manufacturing Survey



- Monthly survey conducted by New York Fed
 - Recent and anticipated changes in economic conditions in manufacturing companies in New York
 - Topical questions of the month (such as borrowing needs, labor market conditions, etc.)
- Respondents: Panel of 200 manufacturing executives receives survey (about 100 respond)
- Where to find it:
http://www.ny.frb.org/survey/empire/empiresurvey_overview.html

Excerpts from March 15 Empire State Manufacturing Survey

- “Conditions for New York manufacturers continued to improve at a steady pace in March.”
- “Employment indexes climbed further into positive territory, suggesting that employment levels are on the rise.”



Excerpts from March 3 Beige Book

- “...The Second District's economy has shown some further signs of strengthening since the last report, despite some apparent slowing in the housing market; input price increases have become more widespread.”
- “In general, business contacts report ongoing improvement in overall conditions and some pickup in hiring activity...”
- “A major NYC employment agency, specializing in office jobs, reports that hiring activity has been sluggish but stable in early 2010, in contrast with the modest pickup that seemed to be taking hold in late 2009; still, conditions are reported to be not as bad as during most of 2009.”



Regional economic indicator charts

- Ready-to-go charts of regional economic conditions
 - Payroll employment growth
 - US, NY, NJ, NYC
 - Local areas (metro areas and others) in the region
 - Labor force indicators for US, NY, NJ, NYC
 - Inflation and income indicators for US, NY, NJ, NYC
 - Housing indicators for US, NY, NJ, NYC

- Constructed from public data

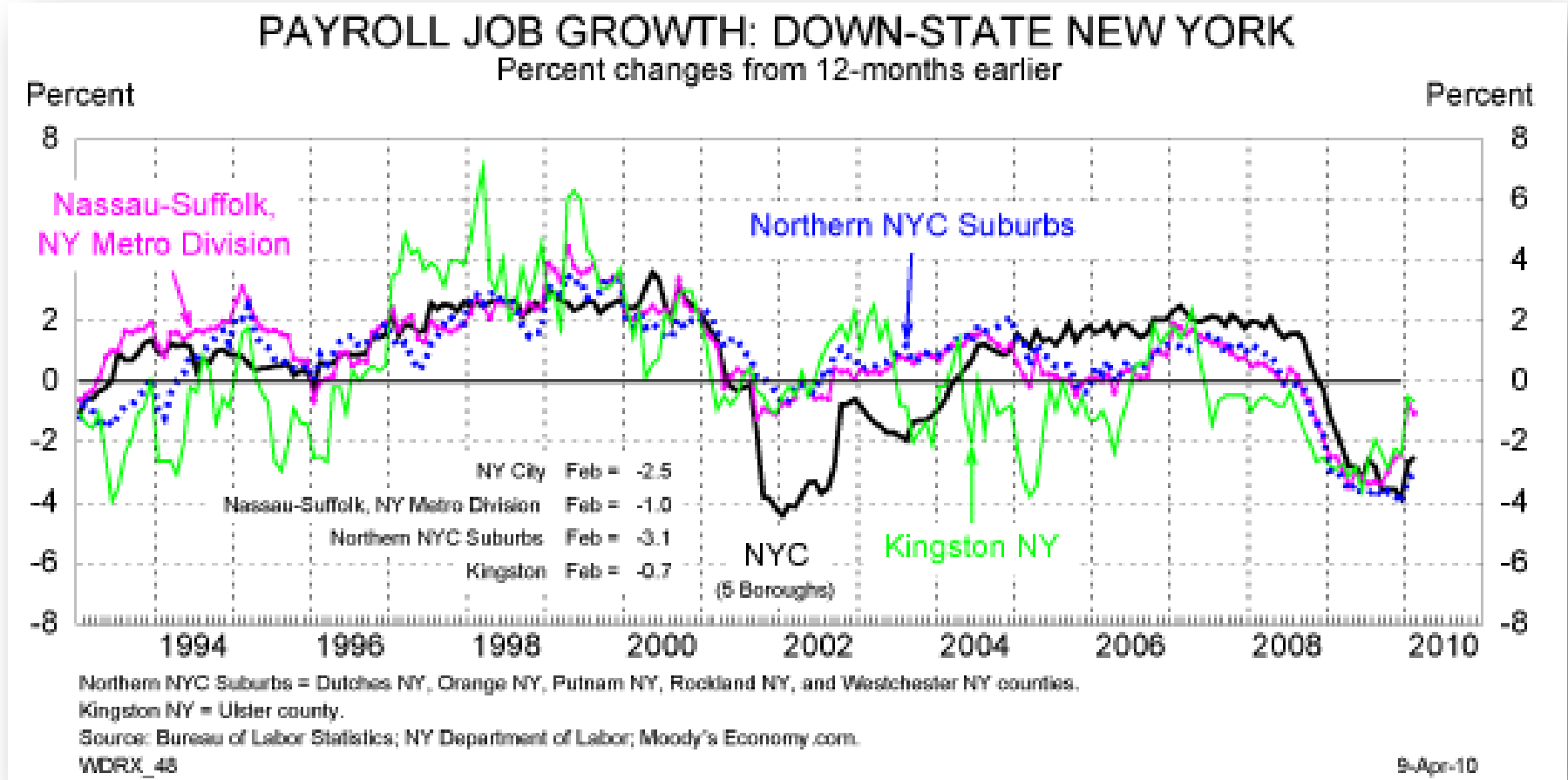
- Updated by New York Fed

- Where to find it:

http://www.ny.frb.org/research/regional_economy/regionalindicators.html

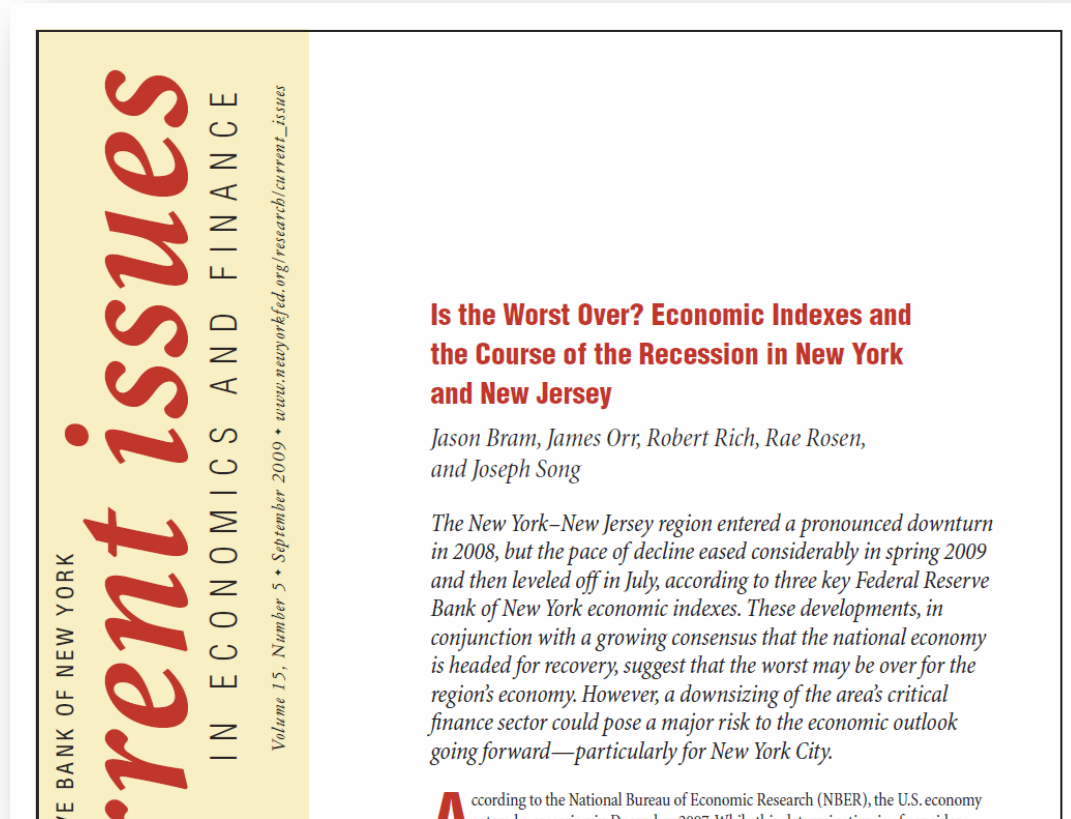


Sample regional economic indicator chart



Publications: 2nd District Highlights

- Analyses of economic conditions in NY, NJ, CT, and Puerto Rico
- Copy in press kit
- Part of *Current Issues in Economics and Finance* series
- Where to find it:
http://www.newyorkfed.org/research/current_issues/index.html



Recent regional editions of *Current Issues*

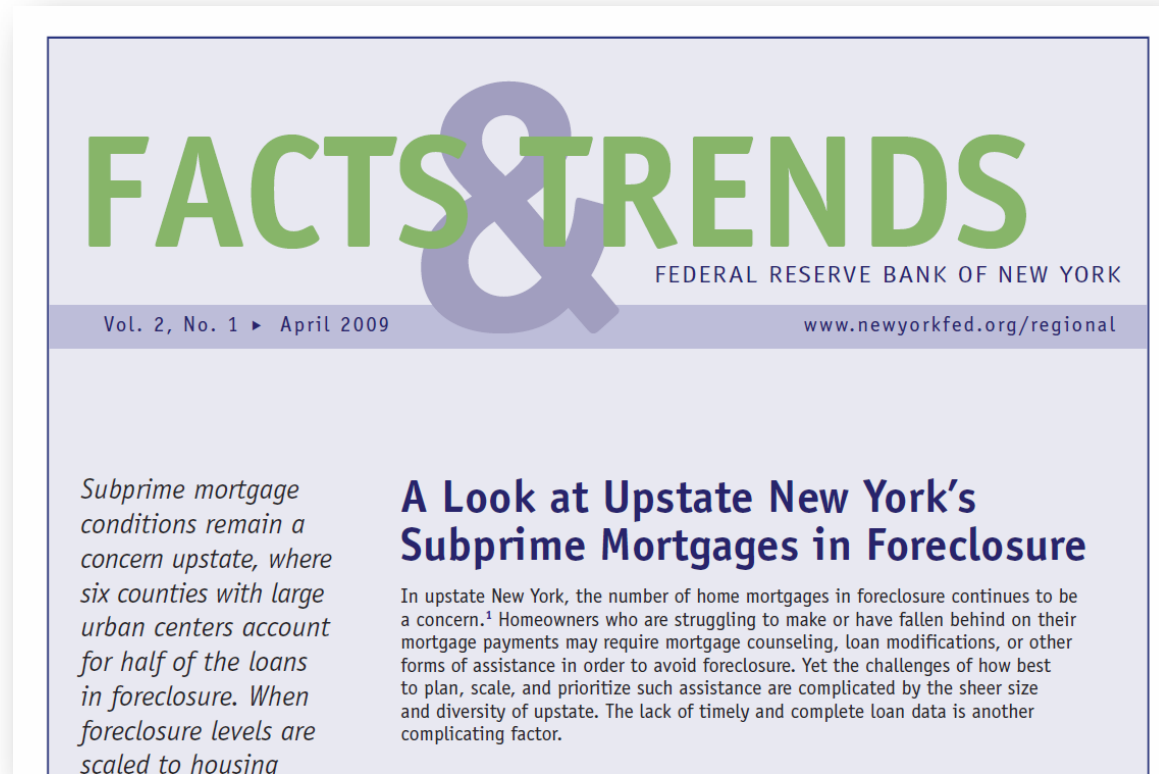
- “Bypassing the Bust: The Stability of Upstate New York’s Housing Markets during the Recession”
by J. Abel and R. Deitz (2010)
- “The Price of Land in the New York Metropolitan Area”
by A. Haughwout, J. Orr, and D. Bedoll (2008)
- “Trends and Developments in the Economy of Puerto Rico”
by J. Bram, F. Martínez, and C. Steindel (2008)



Publications: *Facts & Trends*

- Brief takes on topics related to communities in the District
- “A Look at New Jersey’s Subprime Mortgages in Foreclosure”
- “A Look at Upstate New York’s Subprime Mortgages in Foreclosure”
- Coming very soon: Foreclosures on Long Island

- Where to find it:



<http://www.newyorkfed.org/regional/commdev.html>

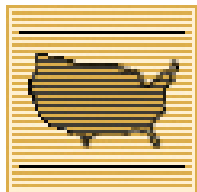


Recent in-depth research publications: *Staff Reports and Economic Policy Review*

- “Subprime Mortgage Lending in New York City: Prevalence and Performance”
by E. Okah and J. Orr (2010)
- “Productivity and the Density of Human Capital”
by J. Abel, I. Dey, and T. Gabe (2010)
- “Do Colleges and Universities Increase Their Region’s Human Capital?”
by J. Abel and R. Deitz (2009)
- “The Changing Nature of Financial Intermediation and the Financial Crisis of 2007-09”
by T. Adrian and H. Shin (2010)
- Where to find them:
http://www.newyorkfed.org/research/staff_reports/index.html
<http://www.newyorkfed.org/research/epr/index.html>



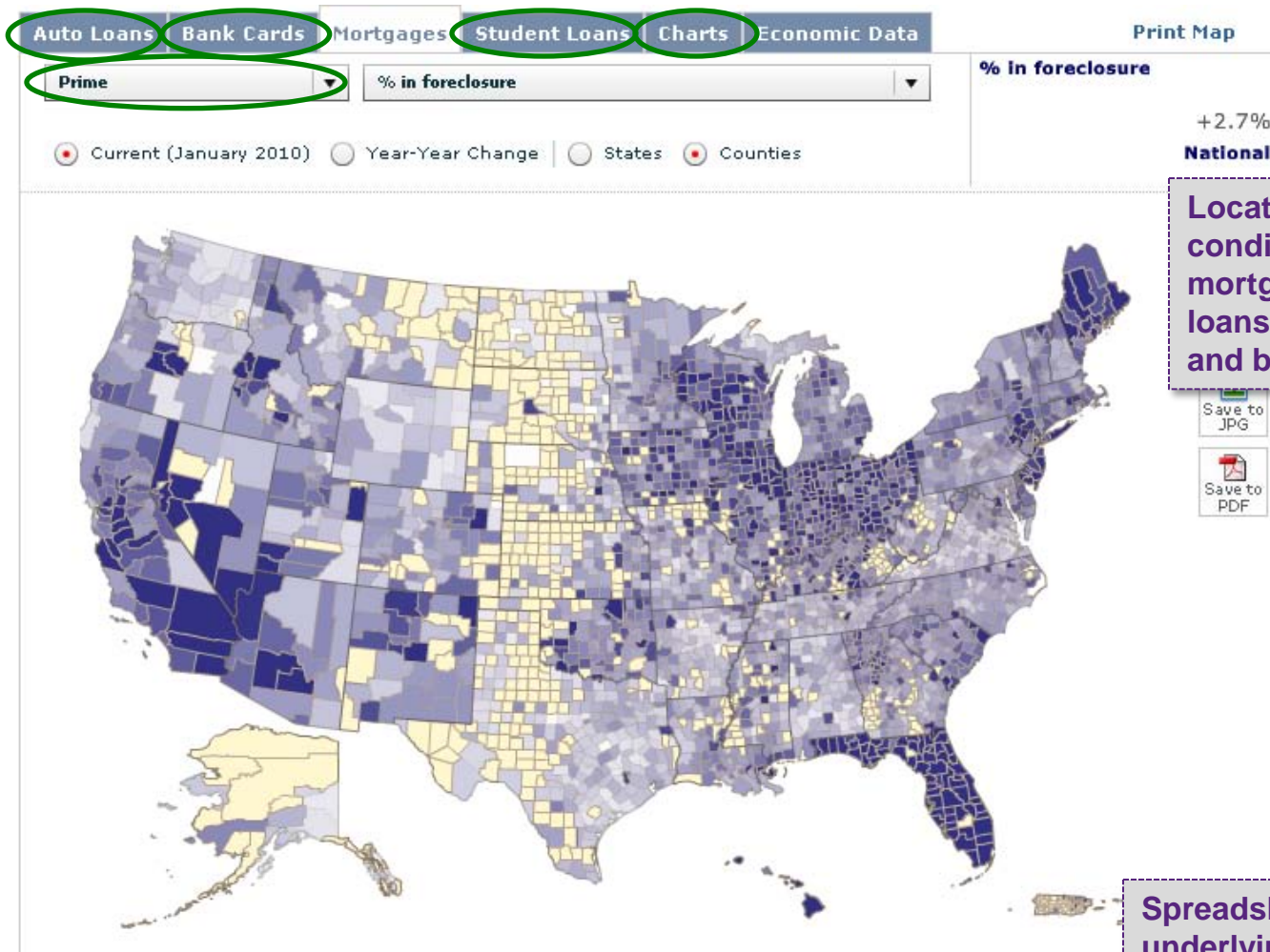
U.S. Credit Conditions: Dynamic maps and more



- Goal: Help regional stakeholders target resources by providing timely and detailed geographic data
- Contents
 - Maps, spreadsheets and charts
 - Conditions (delinquencies, foreclosures, etc.)
 - Mortgages, student loans, credit cards and auto loans
 - By state and county
 - More coming...
- Where to find it

<http://data.newyorkfed.org/creditconditions>

U.S. Credit Conditions: Dynamic maps and more

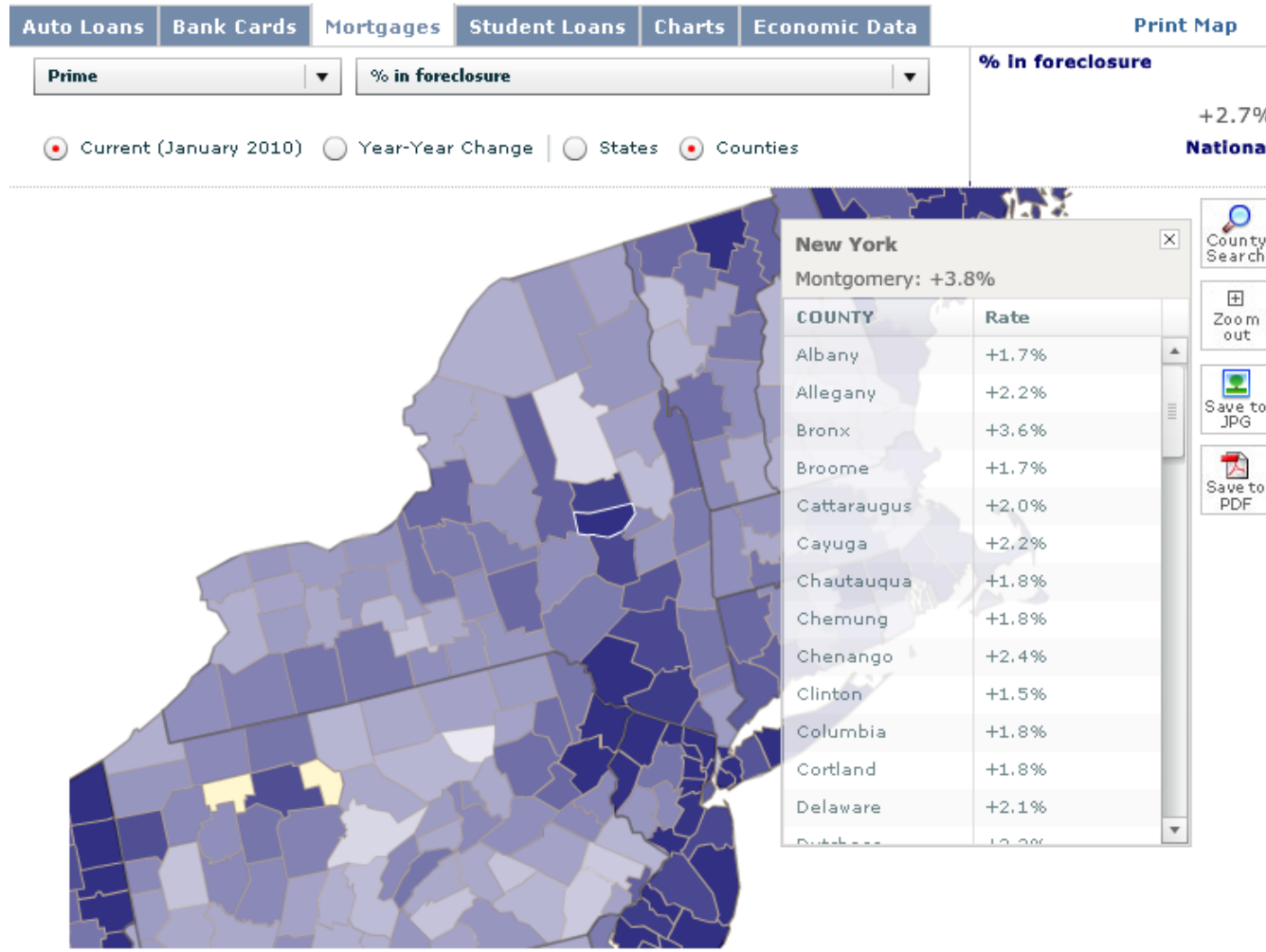


Supporting Spreadsheets
Prime EXCEL | Fannie+Freddie EXCEL | FHA+VA EXCEL | Jumbo EXCEL

Darker shading indicates higher percentage.
Data for counties with fewer than 200 loans have been removed; the counties are shaded yellow because small-population statistics are prone to extreme values and erratic fluctuations.



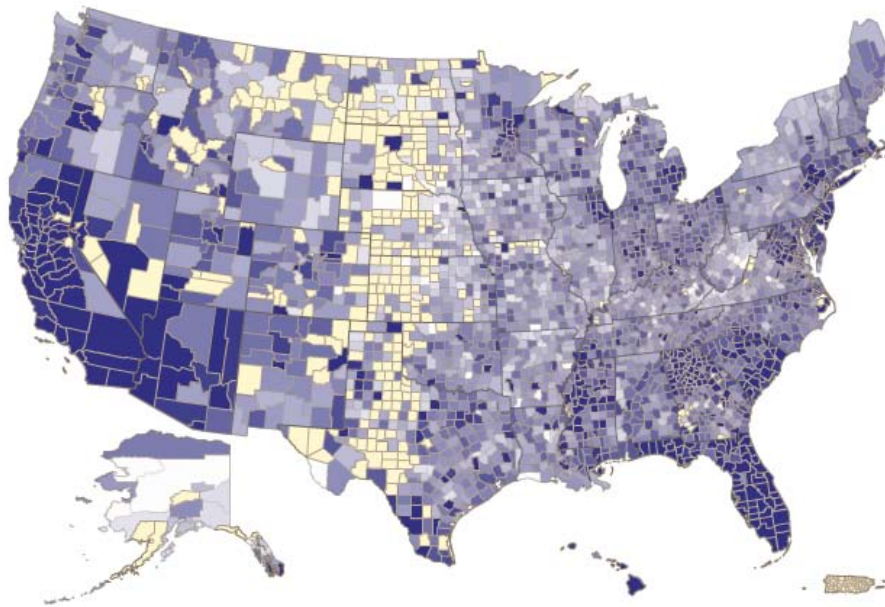
U.S. Credit Conditions: Dynamic maps and more



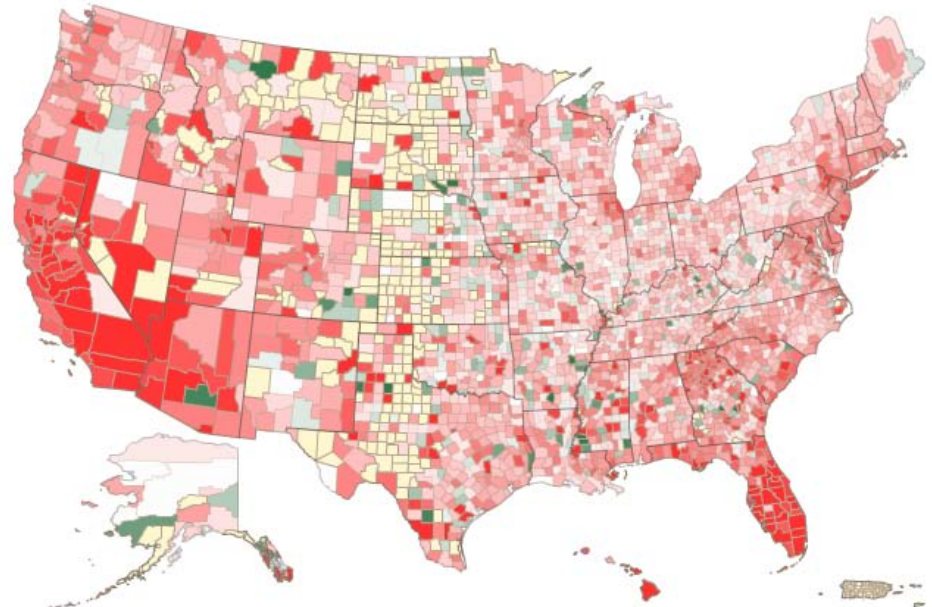
U.S. Credit Conditions

90+ day delinquency rate – all mortgages

90+ day delinquency rate



4 -quarter change in 90+ day delinquency rate



Note: Darker shading indicates higher percentage. Red indicates worsening conditions.

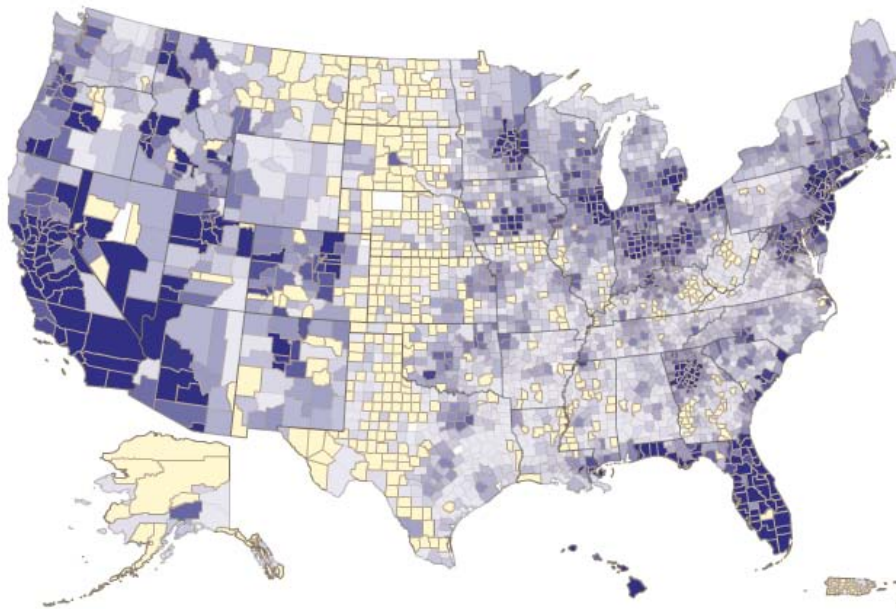
Source: TransUnion, LLC, Trend Data, 2009 Q4



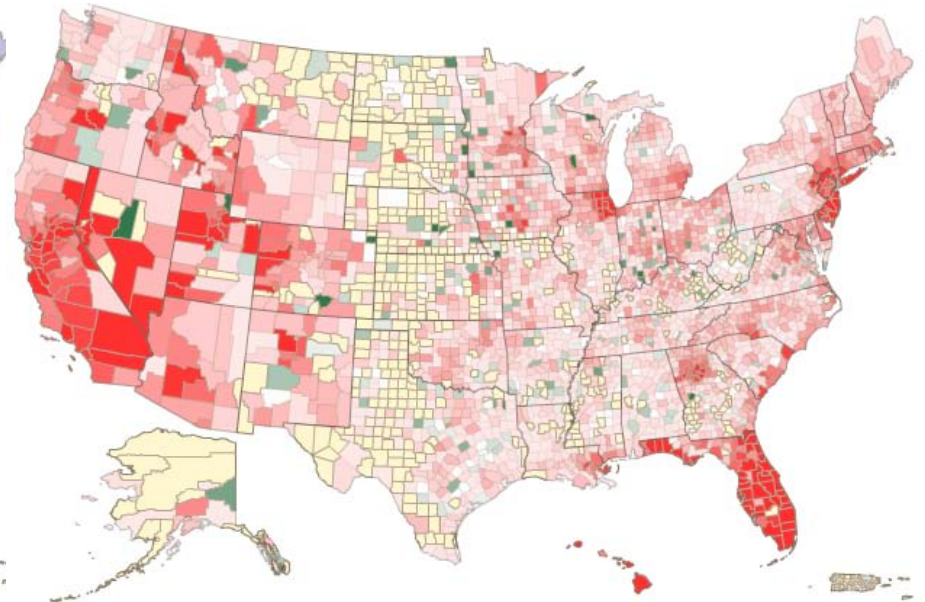
U.S. Credit Conditions

Foreclosures per 1000 Housing Units – Prime Mortgages

Foreclosures per 1000 housing units



4 -quarter change



Note: Darker shading indicates higher percentage. Red indicates worsening conditions.



Summary of regional tools and resources from the New York Fed

- Perspectives on regional conditions to inform economic and policy decision-makers
- To keep abreast, sign up for regional press releases and email alerts for the Regional Outreach and Regional Economy web pages
 - <http://www.newyorkfed.org/regional/index.html>
 - http://www.newyorkfed.org/research/regional_economy/index.html
- Products
 - Regional data and indicators
 - *Index of Coincident Economic Indicators*
 - *Empire State Manufacturing Survey*
 - *Beige Book*
 - Economic indicator charts
 - Publications
 - *Second District Highlights (Current Issues)*
 - *Facts & Trends*
 - *Staff Reports and Economic Policy Review*
 - Tools
 - *U.S. Credit Conditions* portal

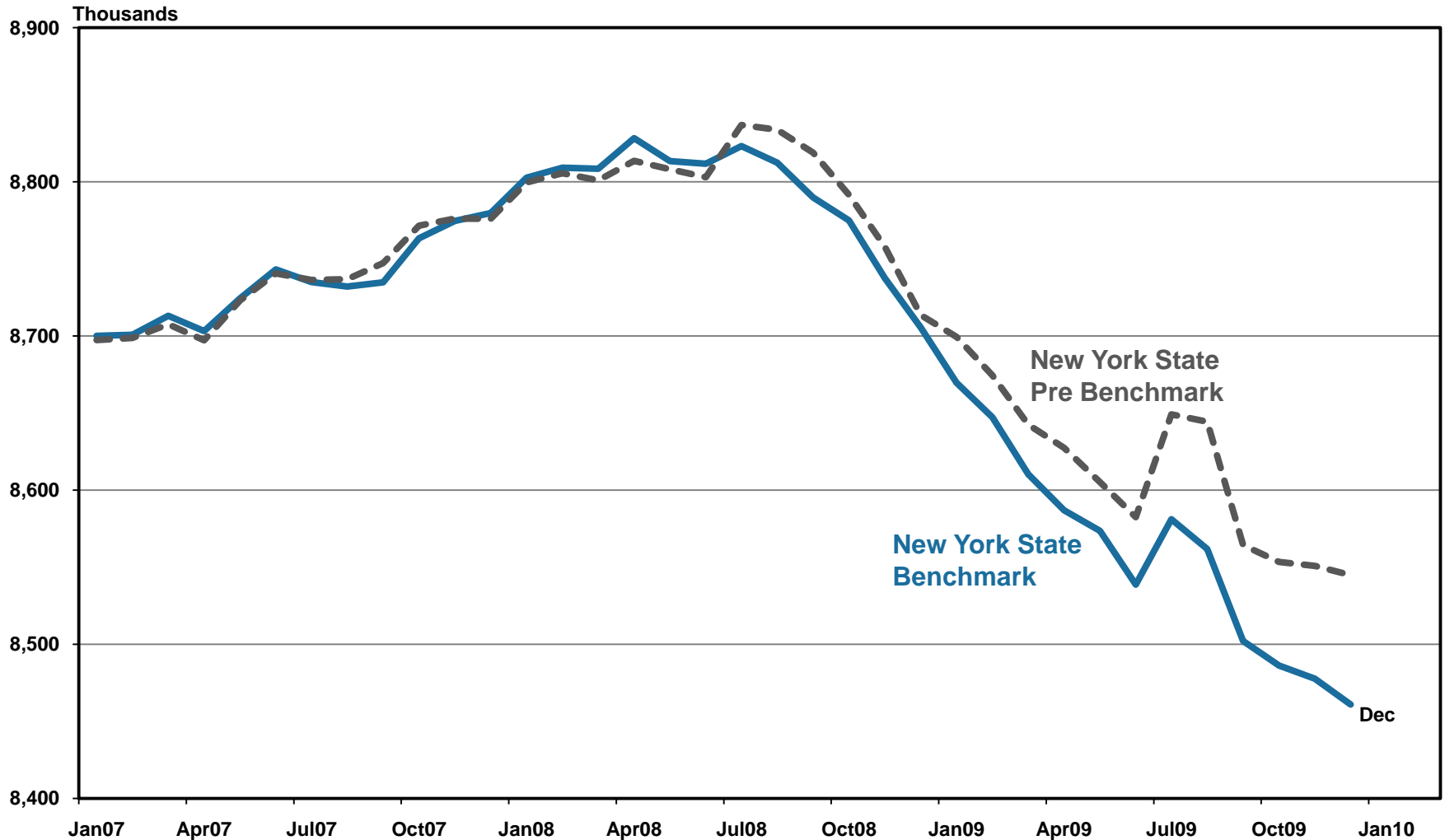


Supplementary Charts



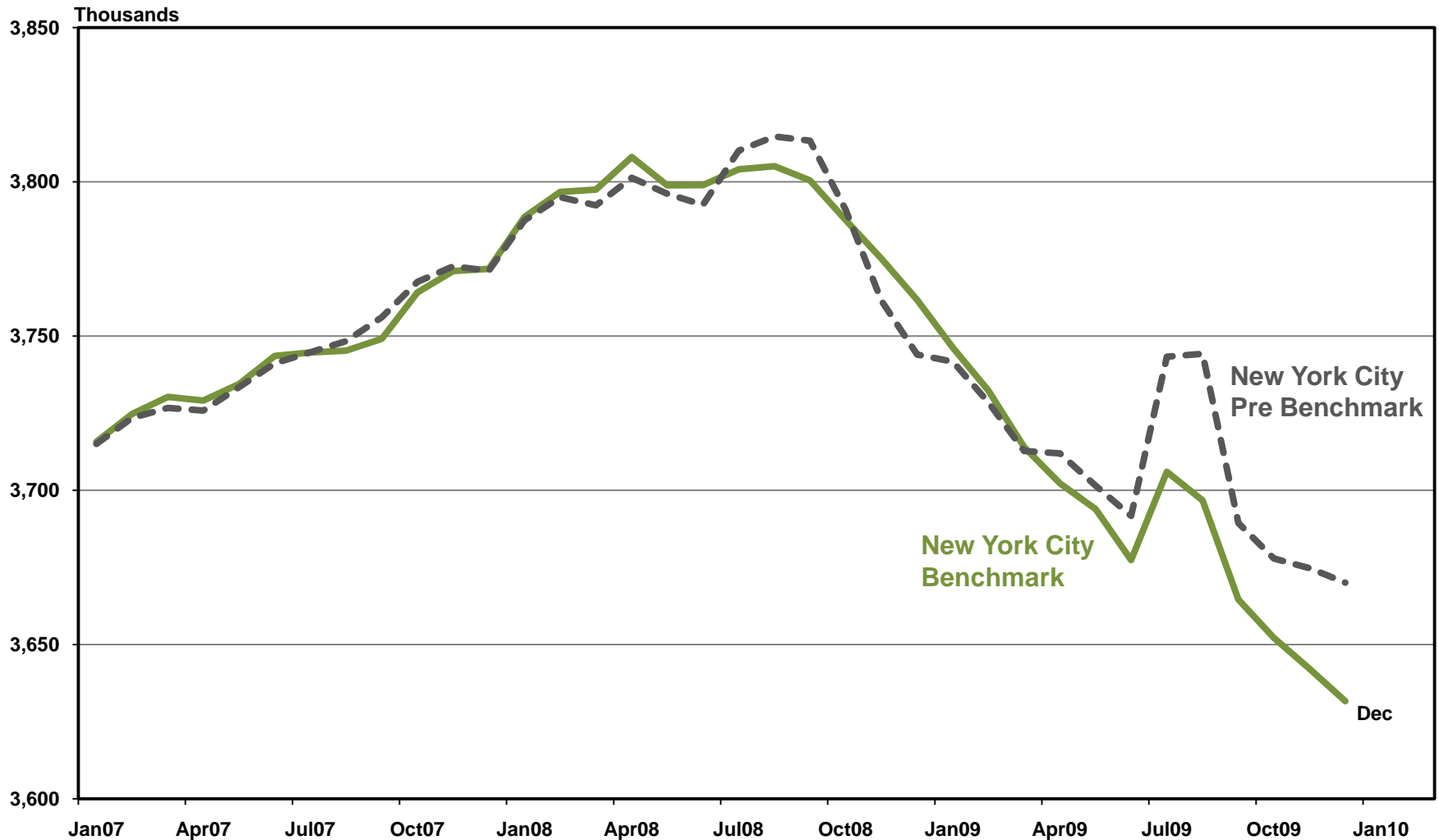
New York State Benchmarked Employment

Total Nonfarm Employment, Seasonally Adjusted



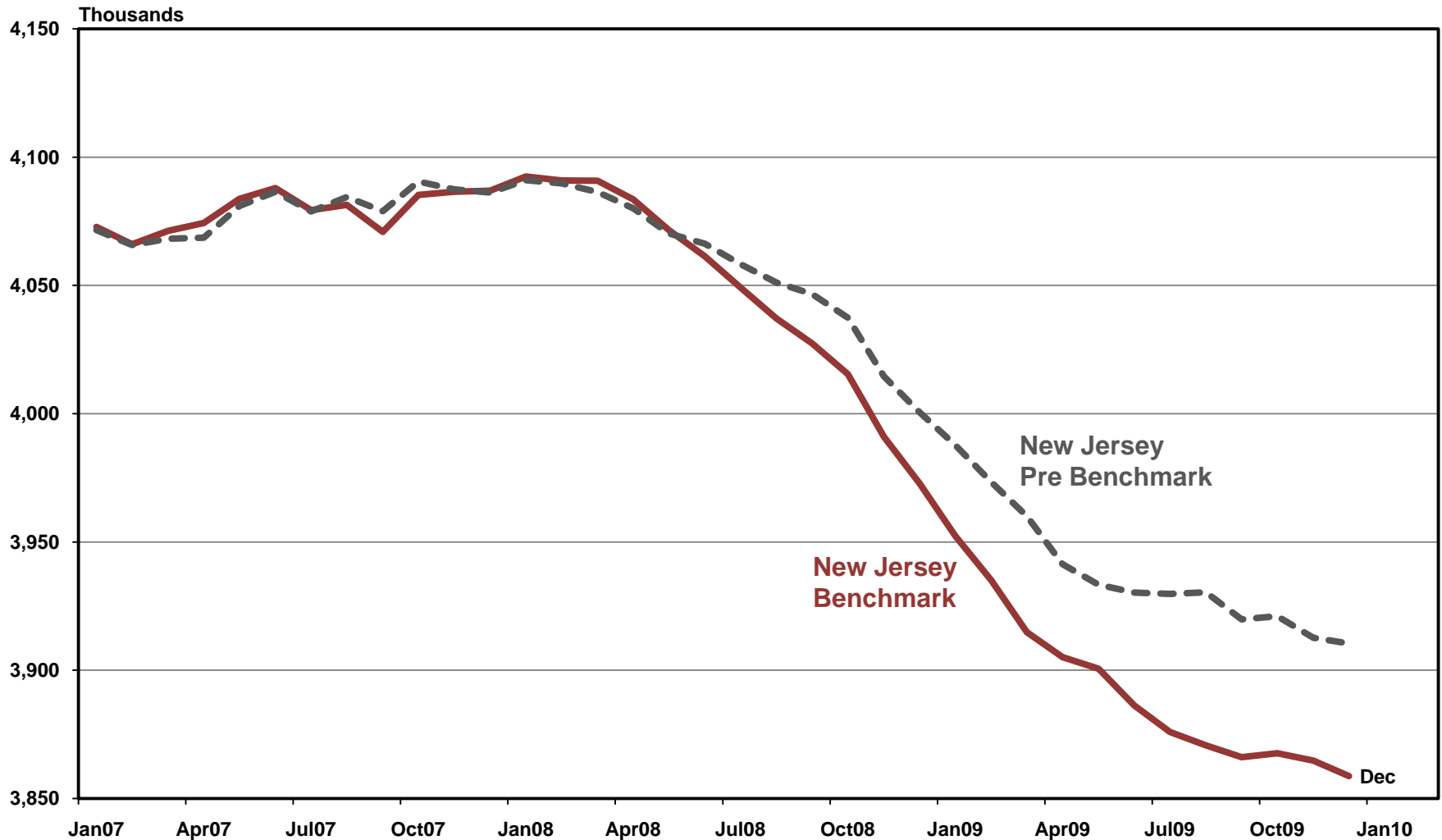
New York City Benchmarked Employment

Total Nonfarm Employment, Seasonally Adjusted



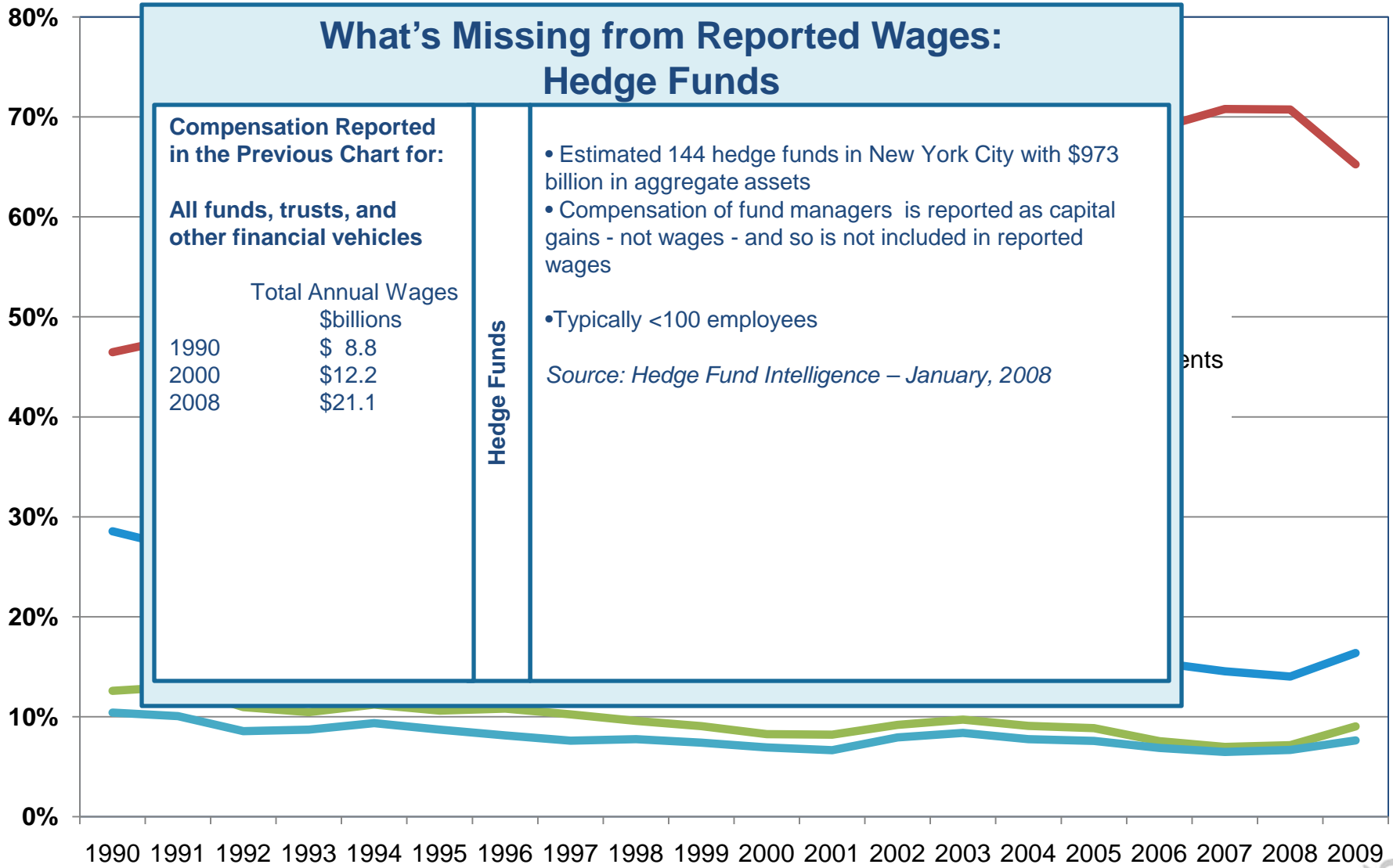
New Jersey Benchmarked Employment

Total Nonfarm Employment, Seasonally Adjusted



NYC Financial Sector

Share of Earnings by Industry



Financial Sector Employment and Earnings

Percent of New York City Total

■ Finance (excluding Securities)
■ Securities

