

Nassau County Economic Indicators

January 2004



**Office of Legislative Budget Review
Nassau County Legislature**



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Inter-Departmental Memo

- To: Hon. Lianne Altmann, Chairperson
Member of the Budget Review Committee
 - From: Eric C. Naughton, ^{EN}Director
Legislative Budget Review
 - Date: February 6, 2004
 - Re: January 2004 Economic Report
-

Attached is a copy of the Office of Legislative Budget Review's monthly economic report. This report is intended to assist the Legislature in making policy decisions and in assessing budgetary forecasts. From time to time it will be modified to include data that relates to specific events. The data presented is the most current as of the date of circulation and is the most geographically relevant.

- cc: Hon. Howard Weitzman, County Comptroller
Sharon Commissiong, Majority Counsel
Mike Deegan, Minority Counsel
Mark Young, Budget Director
Richard Luke, Executive Director, NIFA
Dan McCloy, Special Assistant Minority
Joah Sapphire, Majority Finance
Ed Ward, Special Assistant to Minority
Art Gianelli, Deputy County Executive
Carol Trottere, Majority Press Secretary
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January 2004 Monthly Economic Report

Nassau County's economy continued to gain momentum in December 2003. Regional consumer confidence continued to rise. The housing market ended the year on a high note. Consumer prices fell from the prior month and increased from the prior year. On Long Island there are more employed residents, a larger labor force, and greater non-agricultural jobs. Sluggishness was exhibited in the lodging industry as well as the rate of job creation.

Local Area Employment Figures

Comparison of Employment Statistics figures in thousands					
	<u>12/03</u>	<u>11/03</u>	<u>12/02</u>	<u>Change from Prior Month</u>	<u>Change from Prior Year</u>
Nassau					
Employed	700.9	700.0	695.4	0.1%	0.8%
Unemployed	27.4	28.2	27.5	-2.8%	-0.4%
Unemployment rate	3.8%	3.9%	3.8%	-2.6%	0.0%
Suffolk					
Employed	740.2	739.2	734.4	0.1%	0.8%
Unemployed	33.9	33.4	33.5	1.5%	1.2%
Unemployment rate	4.4%	4.3%	4.4%	2.3%	0.0%
NYC					
Employed	3,407.7	3,413.5	3,475.1	-0.2%	-1.9%
Unemployed	288.5	287.5	314.7	0.3%	-8.3%
Unemployment rate	7.8%	7.8%	8.3%	0.0%	-6.0%
Nation					
Employed	138,556	138,700	136,599	-0.1%	1.4%
Unemployed	7,945	8,269	8,209	-3.9%	-3.2%
Unemployment rate	5.4%	5.6%	5.7%	-3.6%	-4.3%

Source: New York State Department of Labor

Nassau County's resident employment figures ended the year on a positive note. Compared to December 2002, Nassau has more employed residents, less unemployed residents, a larger labor force and an unchanged unemployment rate. There were enough jobs generated in Nassau to keep up with the new entrants to the labor force.

Suffolk County's year-end employment figures were similarly positive. Suffolk County ended 2003 with a net gain in resident employment. The greater employment prospects enticed 6,200 residents to enter the labor force. However, as of the survey date, the number of jobs created fell short of the

number of labor force entrants causing Suffolk to end 2003 with 400 more unemployed residents than it had in December 2002. Overall, Suffolk's unemployment rate was unchanged from December 2002.

New York City's resident employment picture continues to be bleak. It was the only area surveyed to witness an annual decline in its labor force. It also saw an annual decline in its number of employed residents, unemployed residents and unemployment rate. New York City's negative employment situation is dampening employment prospects in the Long Island region.

The national employment picture was similar to that of Long Island. Compared to December 2002, the number of employed residents increased, the number of unemployed residents decreased, and the labor force grew. All totaled, these forces resulted in a lower national unemployment rate. Thus, throughout the nation, the number of new jobs created was able to keep pace with the number of new entrants to the labor force.

Nassau-Suffolk Nonagricultural Employment

Nonagricultural Employment Nassau-Suffolk Area figures are in thousands					
	<u>12/03</u>	<u>11/03</u>	<u>12/02</u>	<u>Change from Prior Month</u>	<u>Change from Prior Year</u>
Natural Resources, Construction & Mining	65.0	66.8	64.6	-2.7%	0.6%
Manufacturing	86.9	87.9	89.9	-1.1%	-3.3%
Wholesale Trade	73.1	72.7	73.3	0.6%	-0.3%
Retail Trade	172.3	166.8	172.3	3.3%	0.0%
Transportation, Warehousing & Utilities	36.6	36.5	37.3	0.3%	-1.9%
Information	31.3	31.2	30.4	0.3%	3.0%
Financial Activities	84.6	83.2	83.0	1.7%	1.9%
Professional & Business Services	150.3	151.0	153.6	-0.5%	-2.1%
Educational & Health Services	194.4	194.2	190.7	0.1%	1.9%
Leisure & Hospitality	89.9	90.6	87.7	-0.8%	2.5%
Other Services	51.6	50.9	50.9	1.4%	1.4%
Government	200.8	200.7	201.2	0.0%	-0.2%
Total	1,236.8	1,232.5	1,234.9	0.3%	0.2%
Source: NYS Department of Labor					

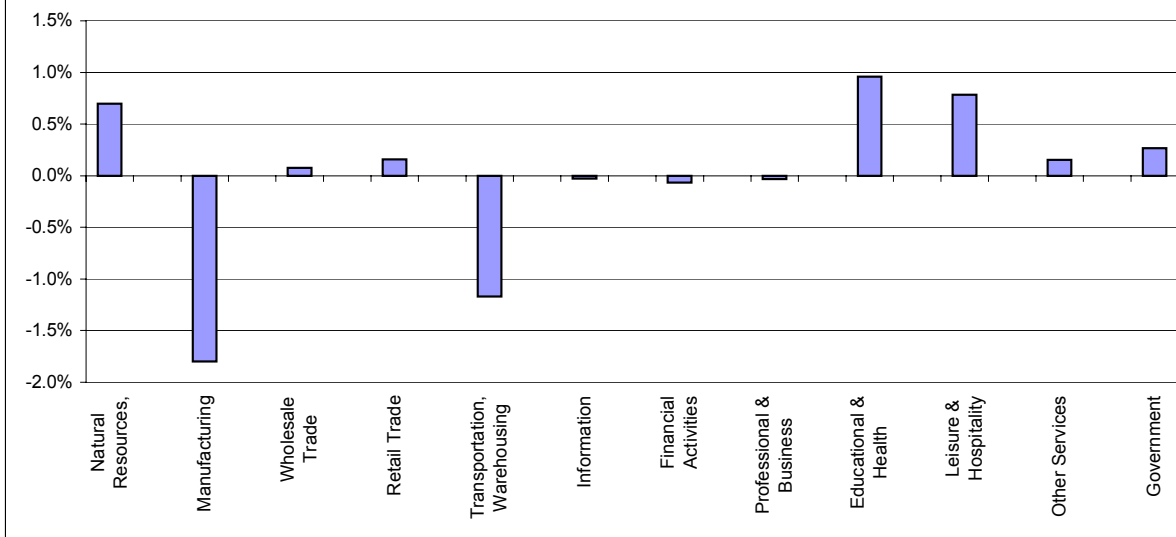
The Long Island region ended 2003 with positive job creation. The area added 1,900 jobs from December 2002 and 4,300 jobs from November 2003. Job creation is positive, yet the pace at which jobs are being created is slow by industry standards.

From an annual perspective, the Manufacturing sector has witnessed the greatest percentage decline. Trailing the manufacturing sector in terms of annual percentage decline was the Professional & Business Services sector. Within the Professional & Business Services sector the Management of Companies and Enterprises, Administration & Support and Waste Management & Remediation Services have seen the greatest annual declines. Declines in the Professional & Business Services sector are significant for the Long Island Economy since the sector has comprised 12.2% of total Long Island non-agricultural employment for the past five years. It has been the fourth largest sector of Long Island employment for the past five years.

Percentage of total Non-Farm Long Island Employment		
Industry	Dec-03	Dec-98
Natural Resources, Construction & Mining	5.3%	4.6%
Manufacturing	7.0%	8.8%
Wholesale Trade	5.9%	5.8%
Retail Trade	13.9%	13.8%
Transportation, Warehousing & Utilities	3.0%	4.1%
Information	2.5%	2.6%
Financial Activities	6.8%	6.9%
Professional & Business Services	12.2%	12.2%
Educational & Health Services	15.7%	14.8%
Leisure & Hospitality	7.3%	6.5%
Other Services	4.2%	4.0%
Government	16.2%	16.0%
Source: New York State Department of Labor		

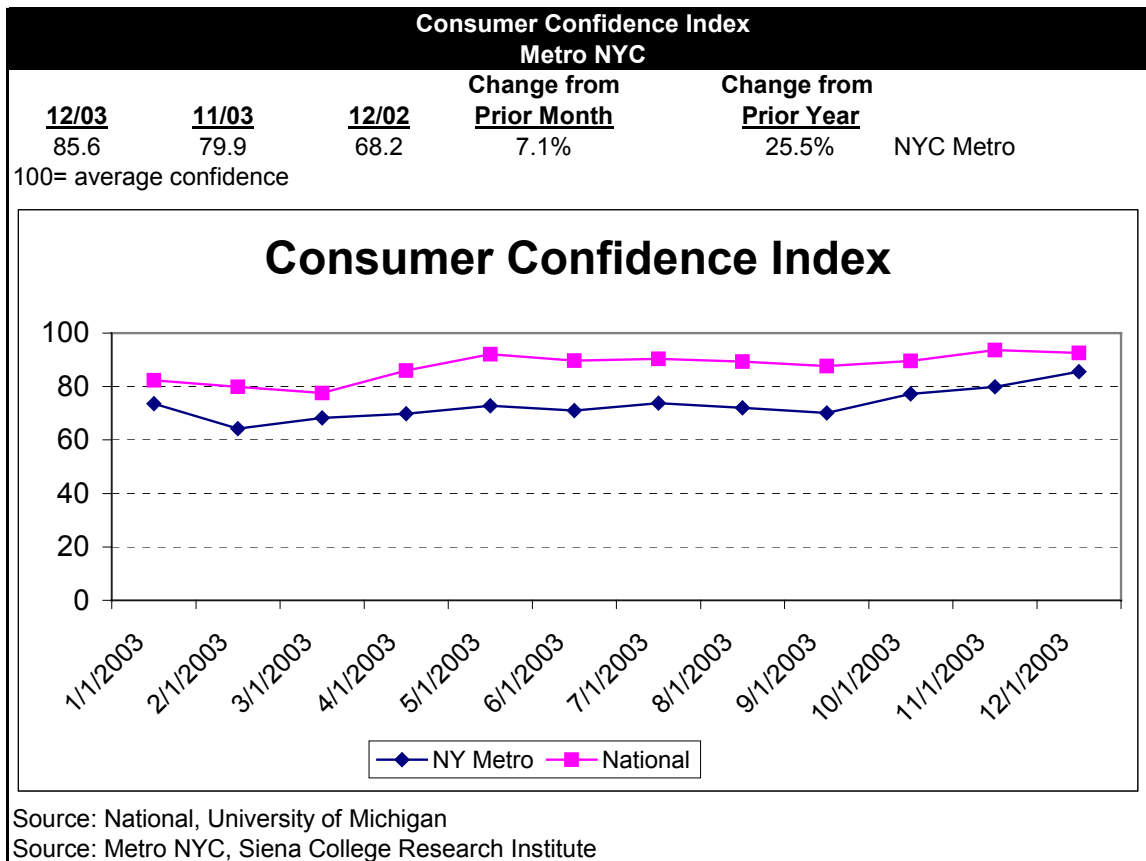
An analysis of the changes experienced in the Long Island industry mix over the past five years reveals that the Manufacturing and Transportation, Warehousing & Utilities industries have lost the most jobs. In contrast, the Educational & Health Services and Leisure & Hospitality sectors have experienced the greatest growth. The chart below details the employment changes seen in each industry on Long Island over the previous five years.

**Five year Change in Nassau's Industry Mix
1998-2003**



Source: New York State Department of Labor

Consumer Confidence Index



Regional consumer confidence has made a dramatic comeback. This month regional consumer confidence grew 7.1% from November 2003. The index is up 22.1% from September 2003 and 25.5% from December 2002.

In contrast, national consumer confidence fell. Taken together, the variance between regional consumer confidence and national consumer confidence is at a twelve-month low. Yet, regional consumer confidence remains below that of the nation.

Hopefully, the resurgence in regional consumer confidence will translate into greater consumer activity and heightened business hirings. However, the greater regional consumer confidence may not indicate greater future consumer sales. In Siena College’s survey they separate current consumer confidence from future consumer confidence. Dr. Douglas Lonnstrom mentions that a “interesting scenario is developing,...Confidence is up, but spending plans are down....The high consumer debt load may be catching up with us.”¹

Consumer Price Indexes

Consumer Price Indexes New York-Northern Jersey-Long Island, NY-NJ-CT-PA region					
	<u>12/03</u>	<u>11/03</u>	<u>12/02</u>	<u>Change from Prior Month</u>	<u>Change from Prior Year</u>
US City, CPI-U	184.3	184.5	180.9	-0.1%	1.9%
Regional CPI-U	199.3	199.4	193.1	-0.1%	3.2%
Core CPI-U (All Items less energy)	207.1	207.1	201.3	0.0%	2.9%
Medical	313.0	310.9	303.6	0.7%	3.1%
Housing	209.8	209.5	200.8	0.1%	4.5%
Gasoline (all types)	125.8	129.4	117.3	-2.8%	7.2%

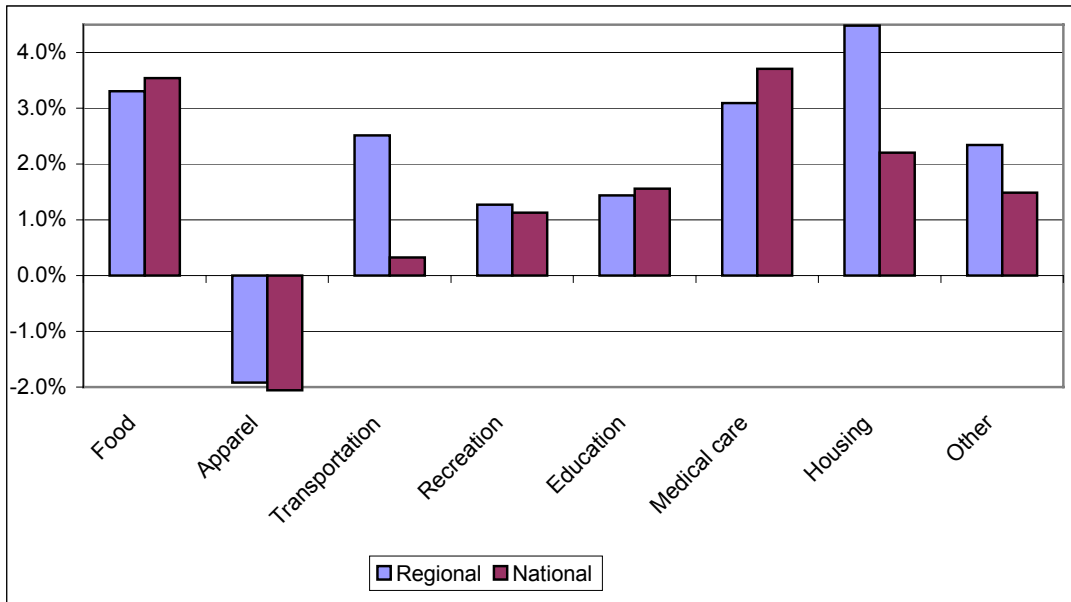
Source: Bureau of Labor Statistics, figures are not seasonally adjusted

From a monthly perspective, prices both nationally and regionally fell. The regional core indicator was unchanged from the prior month. Monthly declines in the price of regional apparel, other goods and services and gasoline propelled the index down.

Except for the apparel industry, from an annual perspective regional and national prices are up. The chart on the next page details the annual price changes seen regionally and nationally. Regionally, housing prices witnessed the greatest appreciation in 2003. Following the housing sector in terms of price escalation regionally was the food and beverages sector. Throughout the nation, the cost of medical care and food and beverages experienced the greatest price increases.

¹ Lonnstrom, Douglas, “New York State Consumer Confidence hits 20-month high”, Siena College Research Institute, January 16, 2004.

CPI-U Regional vs. National Annual Percentage Changes
December 2003

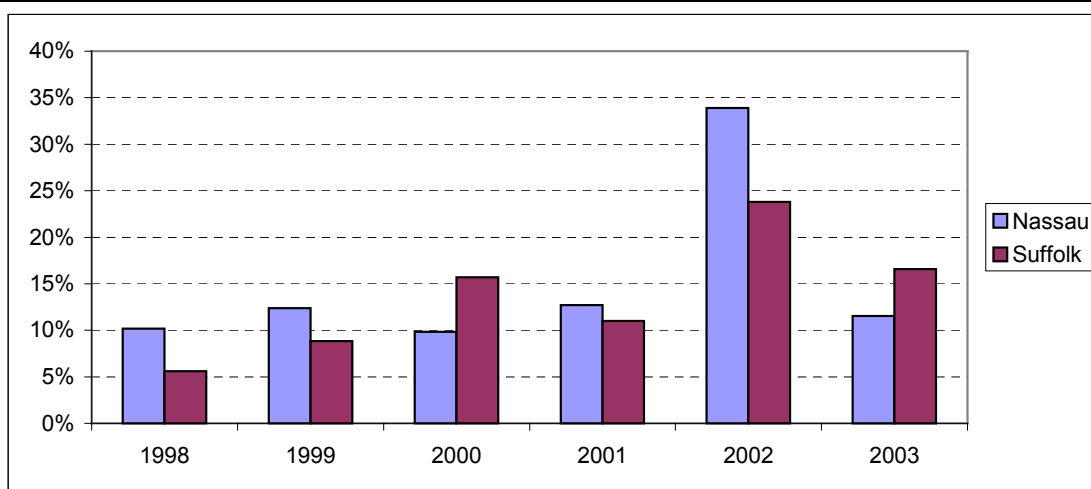


Source: U.S. Bureau of Labor Statistics

Residential Housing Market

In 2003, Nassau County’s residential housing market appreciated 11.5%. That was the lowest appreciation rate seen since 2000, yet still a positive gain. In Suffolk County residential home values rose 16.6% on average. The year end annual average sale price in Nassau County was \$479,848 and \$357,090 in Suffolk County.

Annual Percentage Change in Residential Housing Average Closing Price



Source: Multiple Listing Service of Long Island

The number of residential listings posted in Nassau County reached a seven year high. In 2003, 21,455 Nassau County homes were listed for sale. That is 30.2% greater than 2002 when 16,476 homes were

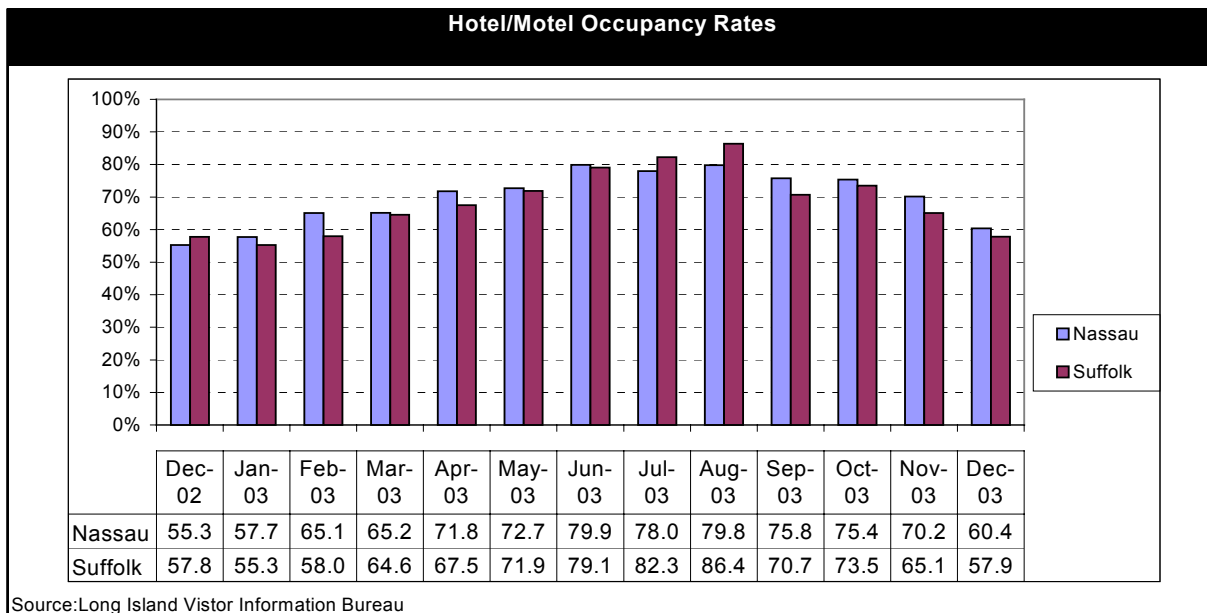
listed for sale in Nassau. Suffolk County similarly saw a sizeable increase in the number of homes listed for sale. In 2003, 29,363 homes were listed for sale in Suffolk, up 25.5% from 2002.

The number of closed residential transactions in both Nassau and Suffolk Counties recorded seven-year highs in 2003. In Nassau there were 9,627 closed residential real estate transactions in 2003. That represents an 11.2% increase from 2002. In Suffolk, 12,671 residential real estate transactions were closed in 2003. That was an increase of 11.4% from 2002.

The strong local housing market is reflected in the County Clerk’s departmental revenues that exceeded budget by more than \$6 million in 2003.

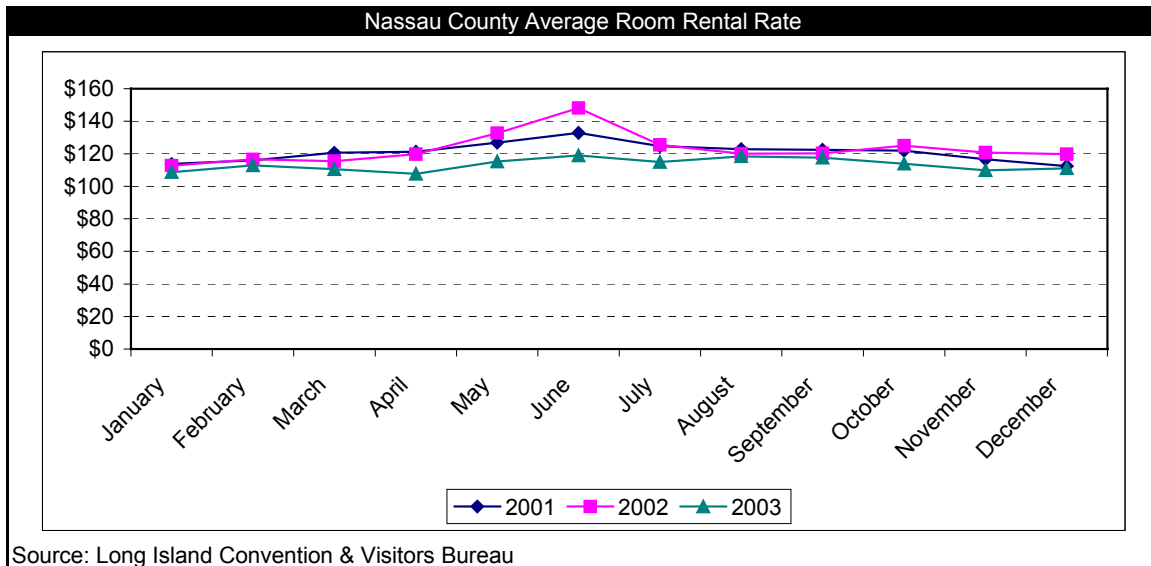
Hotel /Motel Occupancy and Average Daily Room Rates

In 2003, Long Island’s lodging industry continues to struggle. In Suffolk County annual average occupancy rates are down. In Nassau County lodging industry profits were hurt by low average room rental rates. Occupancy rates were up in Nassau from their 2002 levels. However, a 7.9% drop in the annual average room rental rate chipped away at industry profits.



In December 2003, Nassau’s occupancy rate was 9.2% greater than that of December 2002. Moreover, the annual average occupancy rate of 2003 was 71.0%, up 4.8 percentage points from 2002’s annual average occupancy rate of 66.2%.

In contrast, Suffolk County’s 2003 annual average occupancy rate was lower than that of 2002. In 2003, Suffolk’s annual average occupancy rate was 69.4%. That was 1.1 percentage points lower than 2002’s annual average occupancy rate of 70.5%.



Throughout 2003, Nassau County average room rental rates have fallen below their 2002 level. Much of the decline may be attributed to competition with the New York City lodging industry which has been lowering prices to attract visitors.

Conclusion

December 2003 was a positive month for the local economy. Headway was made in all areas. The rate of recovery in most sectors continues to be slow. However, some experts have suggested that the recovery rate is actually quicker than what the figures reveal. They are expecting the employment indicators to be revised upward. An upward revision is expected due to the recent decline in the number of people receiving jobless benefits and the theory that the payroll survey tends to underestimate growth at economic turning points since it omits many start-up businesses.² More data is required to determine if that theory applies in this case. As mentioned in previous reports, labor market growth has been stymied by greater worker productivity and increased off shoring of jobs.

² Leonhardt, David, "Even for Experts, Analyzing the Job Market is an Adventure", The New York Times, January 21, 2004.