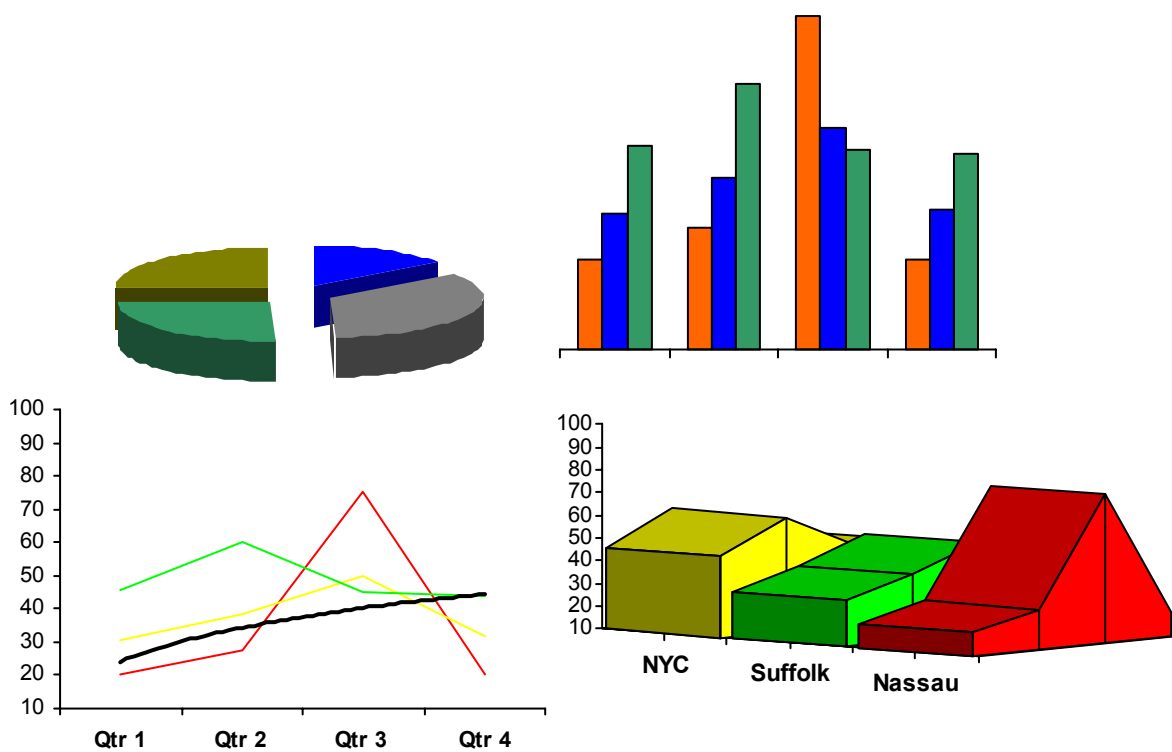




# NASSAU COUNTY LEGISLATURE

Office of Legislative Budget Review

## Nassau County Economic Indicators



December 2003




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BUDGET REVIEW

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### **Inter-Departmental Memo**

To: Hon. Judith A. Jacobs, Presiding Officer  
Hon. Peter J. Schmitt, Minority Leader  
All Members of the County Legislature

From: Eric C. Naughton,  Director  
Legislative Budget Review

Date: January 12, 2004

Re: December Economic Report

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In the past our office has only sent our Economic Reports to the Budget Review Committee. Since there are new members to the legislative body we thought they would be interested in the reports as well as other members of the Legislature. If any legislator would like to be added to the report's distribution list, please contact Simone Petersen, my Administrative Assistance at 571-6296. Attached is a copy of the monthly economic report for December. Each month this report is produced to gauge the current health of the local economy. To accomplish this various statistics are gathered and analyzed. The statistics reported are both as localized as possible and as current as possible. The report strives to convey a complete picture of the local economy. It highlights local consumer confidence, residential employment, employment by industry, price changes, hotel/motel occupancy rates, and residential home price sales. Intermixed throughout the report are national statistics. These figures are introduced based on the theory that national economic booms and recessions will eventually impact the local economy and may indicate the future direction of the local economy.

Consumer confidence is an indicator of consumer willingness to spend and thus directly influences County sales tax collections.

Residential employment figures affect the County budget from several angles. First, when more residents are employed, more income is spent and County sales tax collections grow. Second,

when many residents are unemployed various County social service expenditures rise. Lastly, when more residents are employed, more disposable income is available and individuals travel more, frequent parks and golf courses, and attend more entertainment venues. The County collects fees from all of the previously listed activities.

Employment by industry figures provide insight into the same County revenue and expense categories that the residential employment figures do. However, by showing the industry mix, the County can target specific sectors for economic development.

Price changes are important to monitor for several reasons. First, the County purchases gasoline, office supplies, furniture, etc. which become more costly as the regional price level increases. Price changes have direct effects on sales tax collections. As prices increase, sales tax collections increase since the amount of tax paid is a function of the cost of the item. However, as items become more expensive, individuals make fewer purchases thereby diminishing sales tax collections. The net effect is a function of which prices are rising and the rate at which they are rising. Lastly, price changes are important to watch since several County contracts increase each year in line with the annual change in the regional cost of living.

Hotel and motel occupancy rates are important to watch since the County collects a Hotel/Motel tax.

Lastly, residential home sales are significant for the fiscal health of the County. First, as residential home equity rises, households have more revenue available to tap into through home equity lines of credit. This revenue source leads to increased consumer spending which has a positive effect on County sales tax collections. Secondly, as home prices rise, the assessed valuation of County property rises which has a direct effect on the property tax rate. Lastly, as the number of home sales increases, County Clerk fees increase since the County Clerk's Office collects various fees for recording documents related to home closings.

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  
Art Gianelli, Deputy County Executive, Finance

## December 2003 Monthly Economic Report

Nassau County's economy moved forward this month in low gear. The number of non-farm jobs increased, but at a rate lower than what is indicative of real sustained growth. Residential housing prices appreciated, but the appreciation rate leveled off. Consumer prices fell from last month, but remain up from last year. Additionally, hotel/motel occupancy rates rose, but the average room rental rate fell. Positive gains were made in consumer confidence and the number of closed real estate transactions.

### Local Area Employment Figures

<b>Comparison of Employment Statistics figures in thousands</b>					
	<u>11/03</u>	<u>10/03</u>	<u>11/02</u>	<u>Change from Prior Month</u>	<u>Change from Prior Year</u>
<b>Nassau Employed</b>	699.8	697.5	692.0	0.3%	1.1%
<b>Unemployed</b>	28.1	27.6	28.0	1.8%	0.4%
<b>Unemployment rate</b>	3.9%	3.8%	3.9%	2.6%	0.0%
				<u>Change from Prior Month</u>	<u>Change from Prior Year</u>
<b>Suffolk Employed</b>	739	736.5	730.8	0.3%	1.1%
<b>Unemployed</b>	33.3	31.5	33.2	5.7%	0.3%
<b>Unemployment rate</b>	4.3%	4.1%	4.4%	4.9%	-2.3%
				<u>Change from Prior Month</u>	<u>Change from Prior Year</u>
<b>NYC Employed</b>	3,413.6	3,383.0	3,466.7	0.9%	-1.5%
<b>Unemployed</b>	287.5	305.9	314.6	-6.0%	-8.6%
<b>Unemployment rate</b>	7.8%	8.3%	8.3%	-6.0%	-6.0%
				<u>Change from Prior Month</u>	<u>Change from Prior Year</u>
<b>Nation Employed</b>	138,700	138,619	136,684	0.1%	1.5%
<b>Unemployed</b>	8,269	8,169	8,170	1.2%	1.2%
<b>Unemployment rate</b>	5.6%	5.6%	5.6%	1.1%	-0.2%

Source: New York State Department of Labor

November 2003 was a strong employment month for New York City. It recorded an increase in employed residents, an increase in its labor force and a decrease in unemployed residents. Taken together these forces resulted in a 6.0% monthly drop in its unemployment rate. The strong employment growth in New York City is good for Nassau since many Nassau residents will be able to find work in New York City. Increased County employment should have a positive effect on County sales tax collections.

The Long Island employment picture similarly brightened this month. The number of employed residents in both Nassau and Suffolk Counties rose from both a monthly and an annual perspective. However, the employment increase was less than the increase in the labor force, resulting in more unemployed residents and a higher unemployment rate.

The national employment picture was similar to that of Long Island. Employment grew, but not enough to keep pace with a growing labor force. The past few months of positive job growth have enticed new entrants into the labor force. Labor force growth is a positive sign, so long as the economy continues to add jobs, these new entrants should be able to obtain future employment.

**Nassau-Suffolk Nonagricultural Employment**

<b>Nonagricultural Employment Nassau-Suffolk Area figures are in thousands</b>					
	<b><u>11/03</u></b>	<b><u>10/03</u></b>	<b><u>11/02</u></b>	<b><u>Change from Prior Month</u></b>	<b><u>Change from Prior Year</u></b>
Natural Resources, Construction & Mining	66.9	67.5	65.4	-0.9%	2.3%
Manufacturing	88.0	88.1	91.2	-0.1%	-3.5%
Wholesale Trade	72.4	73.0	73.5	-0.8%	-1.5%
Retail Trade	166.8	160.8	166.2	3.7%	0.4%
Transportation, Warehousing & Utilities	36.6	36.5	37.4	0.3%	-2.1%
Information	31.1	31.5	30.8	-1.3%	1.0%
Financial Activities	83.2	83.0	82.4	0.2%	1.0%
Professional & Business Services	151.2	151.5	152.8	-0.2%	-1.0%
Educational & Health Services	193.6	193.1	189.6	0.3%	2.1%
Leisure & Hospitality	90.6	92.7	88.1	-2.3%	2.8%
Other Services	51.2	50.8	50.6	0.8%	1.2%
Government	200.4	198.7	200.9	0.9%	-0.2%
<b>Total</b>	<b>1,232.0</b>	<b>1,227.2</b>	<b>1,228.9</b>	<b>0.4%</b>	<b>0.3%</b>
Source: NYS Department of Labor					

The Long Island region continued to add jobs in November 2003. From a monthly perspective, the Long Island economy added 4,800 jobs. From an annual perspective, the Long Island region added

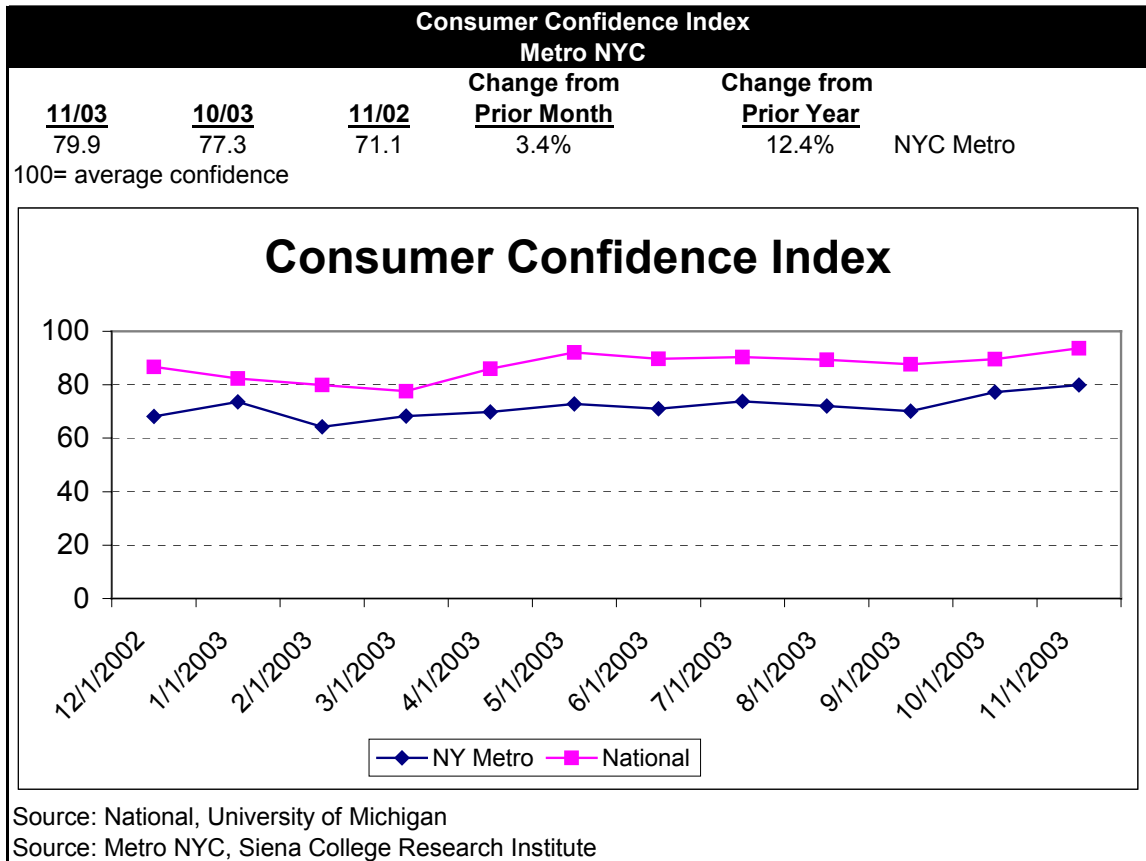
3,100 jobs. Positive job growth is good, however economists consider a 1% growth rate to be indicative of real sustainable growth.<sup>1</sup>

The greatest monthly increase was in the retail trade. Much of the increase may be attributed to seasonality. The greatest monthly decline was seen in the leisure & hospitality sector. Some of this decline also may be attributed to seasonality since tourism tends to drop off during the winter months.

The manufacturing, wholesale trade and professional & business services sectors were performing the worst. Not only are their employment levels down from last year, but they continue to shed jobs from last month.

Lastly, the financial services sector seems to be coming back. It's employment levels are up from both a monthly and an annual perspective. Moreover, a report issued by New York State's Comptroller said that bonuses paid by Wall Street firms this year will be 25% higher than last year. The average bonus will be \$66,800.<sup>2</sup> This should positively impact sales tax collections.

**Consumer Confidence Index**



November 2003 recorded consumer confidence increases both regionally and nationally. Moreover, both the national 93.7 reading and the regional 79.9 readings represent twelve-month highs.

<sup>1</sup> Marshall, Randi F., "An Upward Shift, LI sees job gains in 12-month period", [Newsday.com](#), December 19, 2003.

<sup>2</sup> Luhby, Tami, "Wall Street Workers Get Bonus Boost", [Newsday.com](#), December 18, 2003.

Regionally, consumer confidence continues to be below that of the nation. The slower pace of job growth, heightened risk of terrorism, and greater regional price appreciation could be dampening regional consumer confidence.

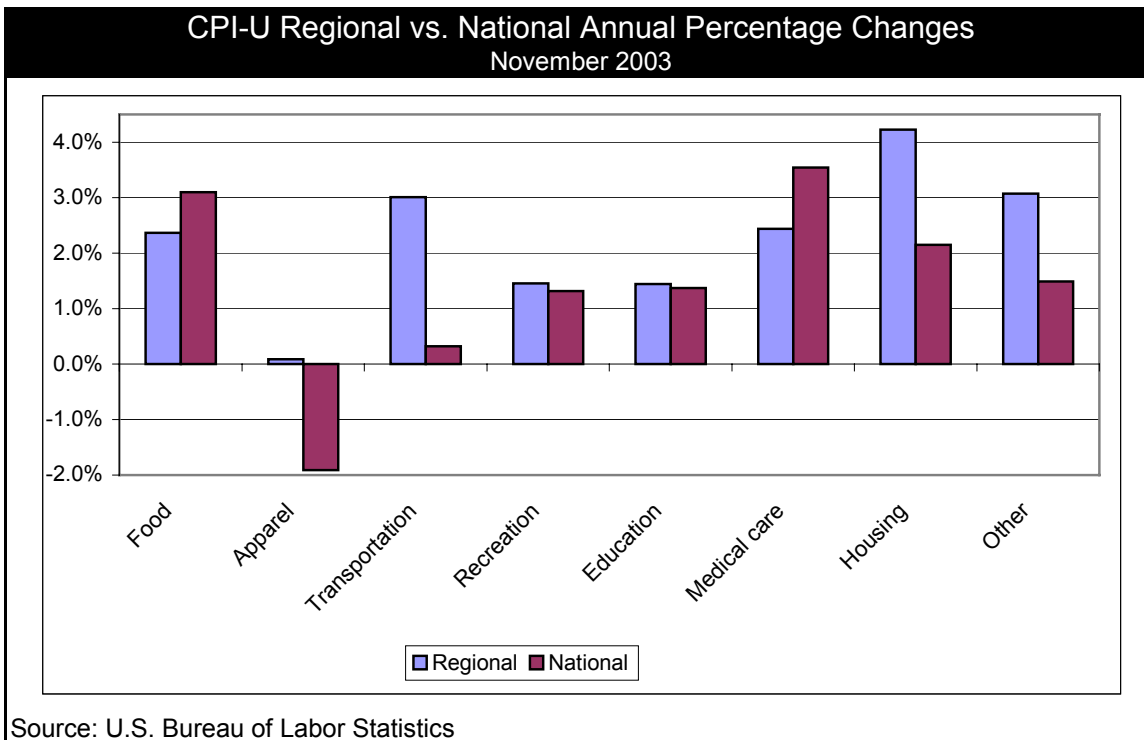
**Consumer Price Indexes**

Consumer Price Indexes New York-Northern Jersey-Long Island, NY-NJ-CT-PA region					
	11/03	10/03	11/02	Change from Prior Month	Change from Prior Year
US City, CPI-U	184.5	185.0	181.3	-0.3%	1.8%
Regional CPI-U	199.4	200.0	193.4	-0.3%	3.1%
Core CPI-U (All Items less energy)	207.1	207.5	201.8	-0.2%	2.6%
Medical	310.9	309.6	303.5	0.4%	2.4%
Housing	209.5	209.9	201.0	-0.2%	4.2%
Gasoline (all types)	129.4	135.0	116.4	-4.1%	11.2%

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

From a monthly perspective, prices both nationally and regionally fell. Additionally, the regional core indicator similarly fell. Significant monthly declines in the price of regional apparel and gasoline propelled the index down. Decreases in the education & communication, housing, and transportation sectors also pulled the overall index down.

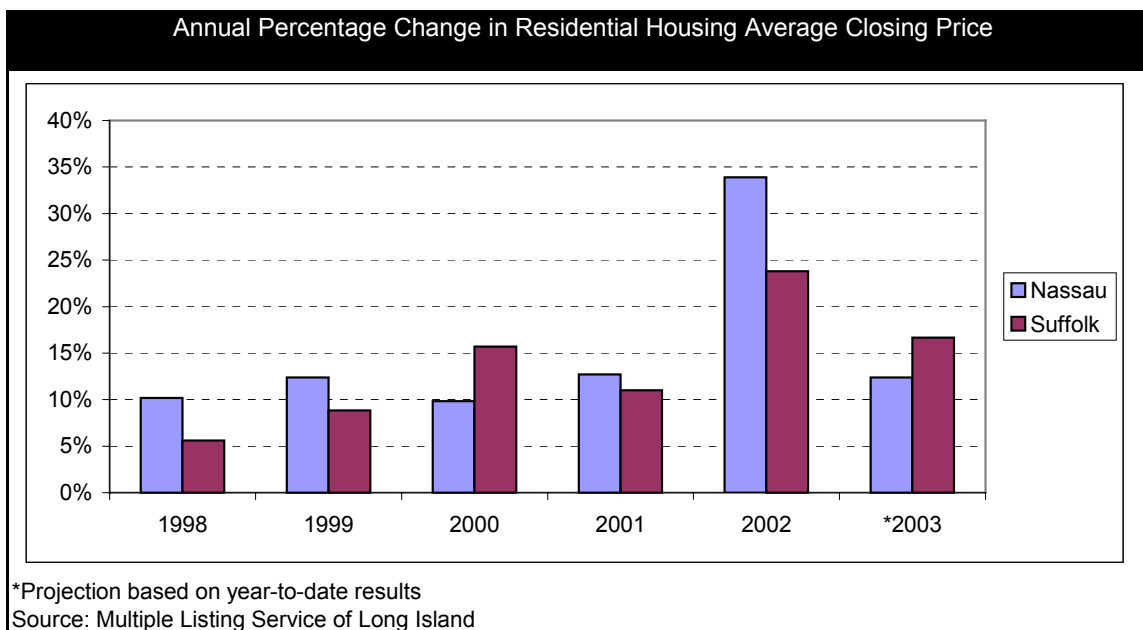
From an annual perspective regional and national prices are up. As the chart below depicts, all prices in all categories are up regionally. Nationally, only the price of apparel is down.



The greatest regional annual price appreciation was in the housing category. Trailing housing in terms of price appreciation were the transportation and other categories. Contributing to the increase in transportation prices is the 11.2% appreciation in the regional price of gasoline. Nationwide the price of gasoline (all types) is up 5.5%. Effective January 1, 2004, New York State is banning the use of the methyl tertiary-butyl ether (MBTE) additive in gasoline. Suppliers have until January 8, 2004 to use MBTE. The impact of this ban on the price of gasoline will have to be monitored closely. Early surveys based on similar bans placed in other areas found that the price of gasoline rose 30 to 40 cents per gallon. However, industry officials now are projecting a 5 to 10 cent increase.<sup>3</sup> An increase in the price of gasoline would have a significant effect on disposable income and the cost of doing business.

### **Residential Housing Market**

Nassau County's residential housing market seems to be cooling off. November 2003's median closing price was \$385,000, 6.9% greater than November 2002. Nassau's projected annual average closing price appreciation rate was 11.42%, down from October's 12.4% and March's 19.0%.



The rate of increase of residential inventory levels has similarly fallen off. November 2003 residential listings are 16.2% greater than November 2002. That appreciation rate is down from September's 32.5% and August's 39.6%.

The number of closed transactions is the only housing measure with an increasing growth rate. This November the number of closed residential transactions in Nassau was up 10.0% from last November. That growth rate is up from September's 6.0% and August's 3.2%. This increase is good for County revenues since the County collects fees for processing each transaction.

Although, appreciation rates are decreasing, recent surveys of the regional residential housing market have found that the current price level is sustainable. A Rutgers University report found that current regional home prices can endure. That regional home price appreciation may be expected in the future,

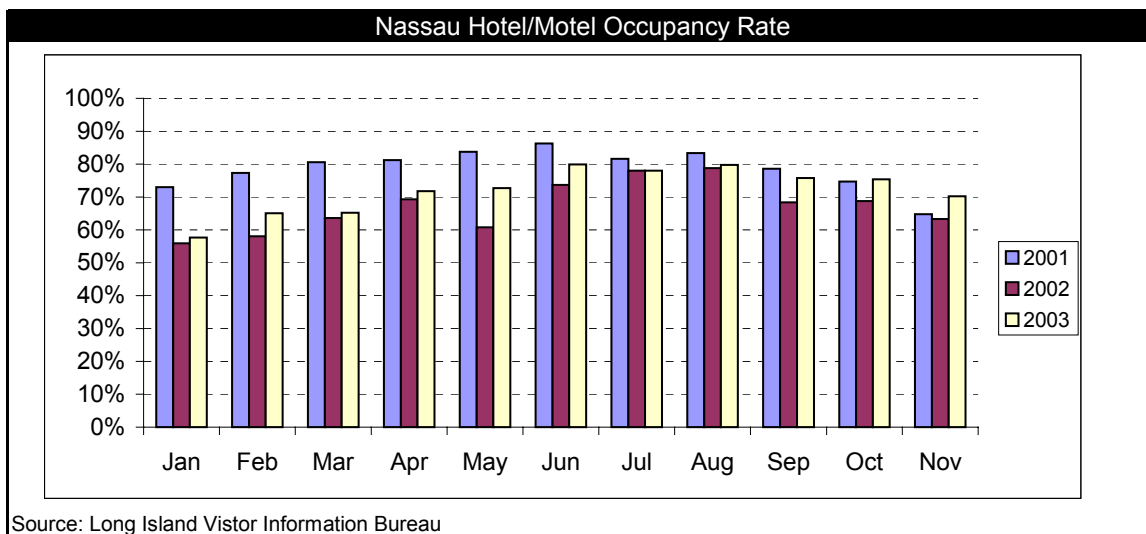
<sup>3</sup> Gromley, Michael, "New Yorkers Can Report Gas Gougers to State", [Newsday.com](http://www.newsday.com), January 2, 2004.



albeit at a slower pace. The report, which surveyed the residential housing markets in Connecticut, New Jersey and New York, found that a rising number of young adults, limited building sites and stock market uncertainties will continue to promote housing purchases and appreciation in residential home values.<sup>4</sup> Additionally, the October 2003 PMI Risk Index, compiled by the PMI Mortgage Insurance Company of Walnut Creek, California, found that Nassau-Suffolk residential home prices have a 7.4% chance of decline over the next two years. The index for the Nassau-Suffolk area was up from 6.6% in June 2003. However, the local risk index was the second lowest percentage registered among the 50 largest metropolitan statistical areas surveyed throughout the country and 8.8 percentage points below the national average risk of 16.2%. Only the Riverside-San Bernardino, California area had a lower risk of residential home price decline. The main reason given for the support of current Nassau-Suffolk home prices is the great degree of industry diversification in the local economy. The index is compiled using statistics from the Office of Federal Housing Enterprise Oversight and the US Bureau of Labor Statistics.<sup>5</sup>

**Hotel /Motel Occupancy and Average Daily Room Rates**

National tourism sales are rebounding to their pre-September 11, 2001 levels, but Nassau’s tourism industry remains sluggish. Although occupancy rates have risen from their 2002 levels and have caught up with their 2001 levels, average room rental rates have fallen. Due to the decline in average Nassau County room rental rates, total Nassau County tourism sales are below their 2001 level.

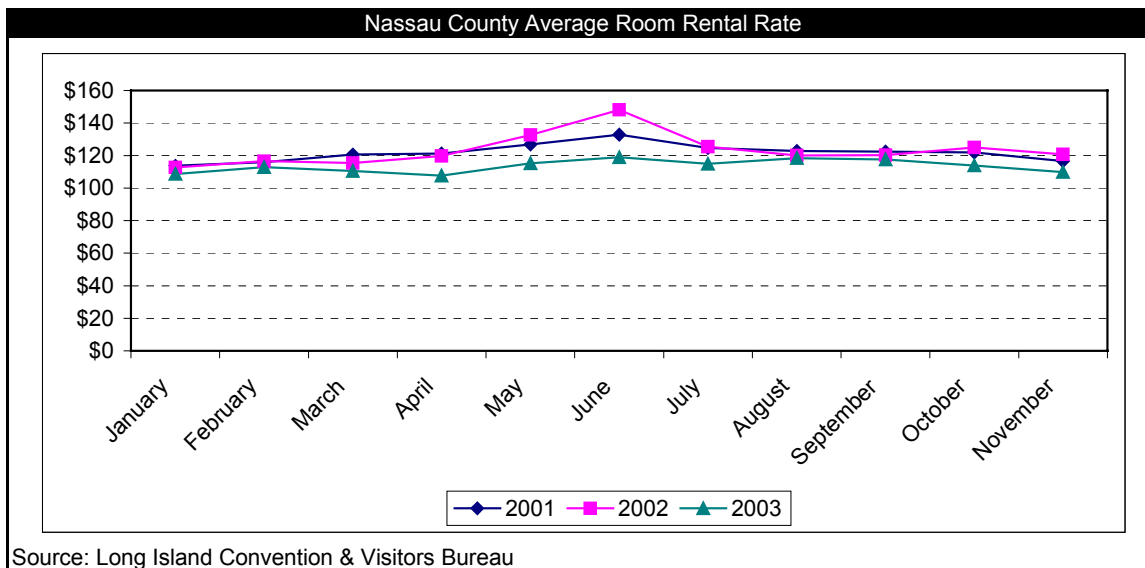


According to the Commerce Department, third quarter 2003 seasonally adjusted projected annual tourism sales were \$747.8 billion nationwide. That figure is only 0.5% below the actual annual 2000 tourism sales of \$751.3 billion.<sup>6</sup> In contrast, Nassau’s projected annual average room rental rate is \$113.51, 7.7% less than 2002’s annual average and 6.2% less than 2001’s annual average.

<sup>4</sup> Gold, Jeffrey, “Report Finds Surging Tri-State Housing Market Unlikely to Collapse”, The Journal News, October 15, 2003.

<sup>5</sup>“PMI Risk Index Moves Higher; Risk of Home Price Declines Increases as Labor Market Remains Tepid”, Business Wire, PMI Mortgage Insurance Co., November 3, 2003.

<sup>6</sup> “Tourism Back Near Pre-Sept. 11 Levels”, CNN/Money.com, December 11, 2003.



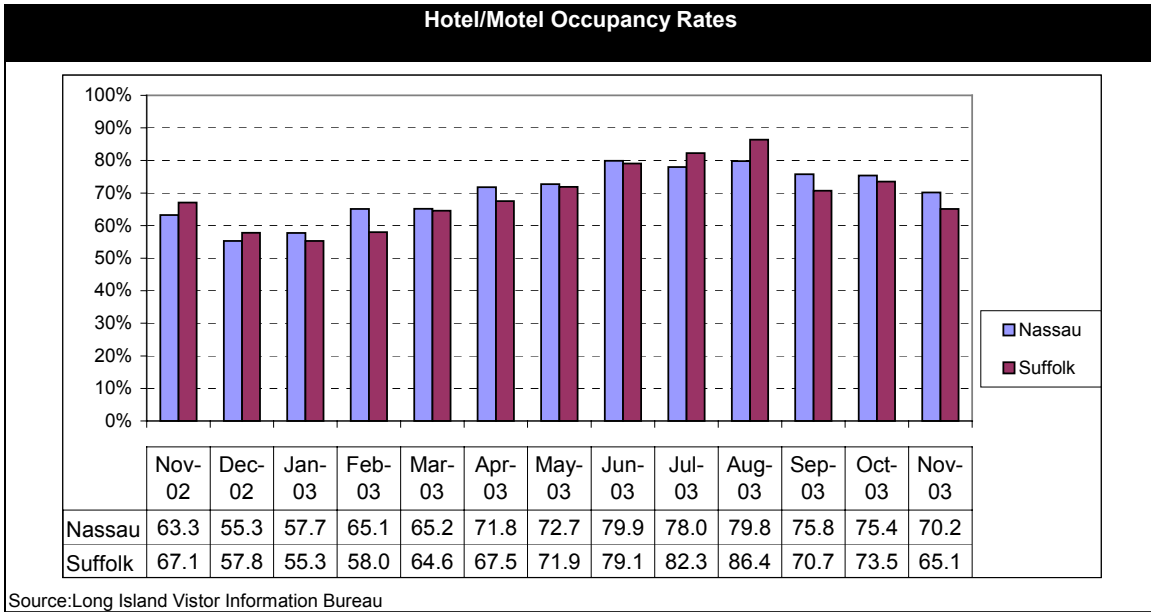
Suffolk County’s tourism industry seems to be making a quicker recovery than Nassau’s. Suffolk’s 2003 projected annual average room rental rate is \$115.75, 4.3% less than its 2001 annual average.

Much of Nassau’s tourism sluggishness may be attributed to Nassau’s proximity to New York City. Since the County is close to New York City, the County’s tourism industry used to get a lot of business from individuals who found it too expensive to stay in the City and opted to stay on Long Island and travel to the City during their vacation. As hotel rates declined in New York City since September 11th, more individuals opted to stay in the City during their vacations. This practice dampened the Nassau County hotel business. Thus, once New York City’s hotel industry picks up and their average room rental rates increase, Nassau County’s hotel industry should subsequently rise. On the positive side, New York City experts are seeing an increase in tourism activity. However, their average room rental rates still remain below those of 2000.

According to Cristyne Nicholas, head of New York City’s Tourism Agency, “since 2001, this is the first holiday season in which we’re experiencing true growth in tourism.”<sup>7</sup> They are expecting the number of tourists to at least match the 35 million recorded in 2002 and come close to the 36.2 million reached in 2000. Moreover, they are predicting that hotel occupancy will reach 84%, close to peak pre-attack levels. However, they estimate that the average room rental rate will still remain 20.3% below that of 2000.<sup>8</sup>

<sup>7</sup> “Tourism Rebounds”, [1010wins.com](http://1010wins.com), December 12, 2003.

<sup>8</sup> Same as above.



**Conclusion**

This month the regional economy moved forward, yet not much momentum was present. Hopefully, the regional economy should be able to pick up speed in the new year. Preliminary indicators suggest that businesses should be able to increase their payrolls in 2004. The number of job-cut announcements made in 2003 was down 16% from 2002.<sup>9</sup> Moreover, regional business revenues are up enabling them to pay for additional workers. Results from the first three quarters of 2003 reveal that the median revenue of the top 100 New York City public companies was up 7.4% from 2002<sup>10</sup>, and the median revenue of the top 100 Long Island public companies was up 9.1% from 2002.<sup>11</sup>

<sup>9</sup> “Job-Cut Announcements Dip”, [CNN/Money.com](http://CNN/Money.com), January 6, 2004.

<sup>10</sup> Luhby, Tami, “A Strong Rebound, City’s Top 100 Racked Up Profits in ‘03”, [Newsday.com](http://Newsday.com), January 7, 2004.

<sup>11</sup> Luhby, Tami, “LI’s Top 100 Firms Surged in 2003”, [Newsday.com](http://Newsday.com), January 7, 2004.