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**Inter-Departmental Memo**

To: Hon. John Ferretti, Chairman Budget Review Committee  
All Members of the Nassau County Legislature

From: Maurice Chalmers, Director  
Office of Legislative Budget Review

Date: March 18, 2022

Re: March 2022 Economic Report

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Attached is a copy of the Office of Legislative Budget Review's March 2022 economic report. This report is being circulated to assist the Legislature in making policy decisions and in assessing budgetary forecasts.



# OFFICE OF LEGISLATIVE BUDGET REVIEW

## Economic Update March 2022

March 2022

The national and regional economies are currently in precarious positions. As such, the Office of Legislative Budget Review, (OLBR), has put together this economic update to keep you apprised of both the current conditions and forecasts as many of the County's revenue and expense appropriations are correlated with the economy.

Nationally, consumer prices are experiencing high inflation. According to the Labor Department, surging gas, food and housing costs led national consumer prices to jump 7.9% from an annual perspective as of the end of February 2022. This represented the sharpest spike seen since 1982. Analysts pointed out that the increase did not include most of the oil and gas price increases that followed Russia's invasion of Ukraine on February 24, 2022.<sup>1</sup>

The high inflation is seen as curbing retail spending. Commerce Department figures show that national retail sales increased 0.3% in February 2022 from the prior month. That is down from January 2022's 4.9% monthly increase. Many sectors recorded monthly declines; furniture and home furnishing purchases fell 1.0%, electronics and appliances fell 0.6%, and online sales fell 3.7%. Analysts noted that persistent inflation is dangerous for retailers as shoppers consolidate their spending.

<sup>1</sup> The Associated Press, "U.S. Inflation Sets a Fresh 40-Year High over Past Year 7.9%", [Newsday.com](https://www.newsday.com), March 10, 2022.

<sup>2</sup> The Associated Press, "US Retail Spending Slows as Inflation Starts to Bite", [LIBN.com](https://www.libn.com), March 16, 2022

They note that it could reverse last years trend of increasing sales.<sup>2</sup>

To curb inflation, the Federal Reserve raised interest rates 0.25% for the first time since 2018. They indicated that they plan to raise rates several times this year. They cited the ongoing Russian invasion of Ukraine, the COVID-19 pandemic, and supply chain disruptions as factors in their decision. Additionally, they downgraded their forecast for 2022 US GDP growth from 4.0% to 2.8%.<sup>3</sup>

Table 1 displays current forecasts for US 30 – year mortgage interest rates.

**Table 1**

30 - Year Fixed Rate Mortgage Forecasts, Feb. / Mar. 2022			
	2022	2023	2024
Fannie Mae	3.8%	3.9%	
Mortgage Bankers Association	4.3%	4.5%	4.5%
<b>Average 30-Yr. MRT Forecast</b>	<b>4.1%</b>	<b>4.2%</b>	<b>4.5%</b>

Table 2 details the economic forecasts for US Real Gross Domestic Product (GDP) growth.

<sup>3</sup> Zilber, Ariel, "Fed Boosts Interest Rates by 0.25% in Bid to Tame Soaring Inflation", [NYPost.com](https://www.nypost.com), March 16, 2022.

## National and Regional Economic Update as of March 2022

**Table 2**

Current Real US GDP 2022 - 2024 Forecasts, Feb. / Mar. 2022			
	2022	2023	2024
Fannie Mae	2.3%	2.2%	
Mortgage Bankers Association	3.6%	2.7%	2.0%
Federal Reserve Bank - Phil.	3.7%	2.7%	2.3%
The Conference Board	3.0%	2.3%	
<b>Average US GDP Forecast</b>	<b>3.2%</b>	<b>2.5%</b>	<b>2.2%</b>

Compared to the January 2022 forecasts, the average 2022 US GDP forecast has fallen from 3.6% to 3.2%.

Additionally, the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters increased their risk of a negative quarter of GDP in February 2022 from their prior forecast. Table 3 displays their forecast.

**Table 3**

Risk of a Negative Quarter of Real US GDP		
	Prior Forecast	Current Forecast
2022: Q1	13.3%	20.3%
2022: Q2	15.0%	14.8%
2022: Q3	15.9%	17.5%
2022: Q4	16.9%	16.3%
2023: Q1		18.1%
<b>Source: Federal Reserve Bank of Philadelphia</b>		

It should be mentioned that the Federal Reserve Bank's survey was published prior to the invasion in Ukraine. According to Goldman Sachs the odds of a recession rose after the invasion. As of March 11, 2022, Goldman Sachs raised their risk of a recession to between 20.0% and 35.0%.<sup>4</sup>

Locally, the economy is moving forward on some fronts despite the strong headwinds that it is

<sup>4</sup> Ponciano, Jonathan, "Recession Odds are Rising Amid Ukraine Invasion – Here's What Could Pose "Serious Risk" to U.S.Economy", [Forbes.com](https://www.forbes.com), March 11, 2022.

<sup>5</sup> Madore, James T., "LI Added 51,000 Jobs in January, though still is below pre-COVID employment level", [Newsday.com](https://www.newsday.com), March 10, 2022.

facing. New York State Department of Labor figures show that from an annual perspective, Nassau's labor market recorded positive growth. The number of employed residents grew by 3.8% in January 2022. That forward movement correlated with annual labor force growth of 1.1% and Nassau's unemployment declining to 3.3% in January 2022.

Simultaneously, Long Island's economy added 51,000 jobs in January 2022 compared to the prior year. These New York State Department of Labor figures reveal that the strongest job gains were in the leisure/hospitality sector. The professional/business services sector recorded annual growth of 9,200. Analysts state that the economy is still short of its pre-pandemic levels.<sup>5</sup>

For the New York metropolitan area, Bureau of Labor Statistics figures show that consumer prices have risen 5.1% from an annual perspective in February 2022. Slightly lower than the national average.

The local housing market is struggling in terms of inventory. According to analysts, there were about 25.0% fewer homes on the market in February 2022 compared to the prior year.<sup>6</sup> Multiple Listing of Long Island Figures show that the number of Nassau County home sales in February 2022 was down 15.1% from a yearly perspective. The number of pending sales was down 6.6% over the same time period. The lack of inventory has contributed to median sales price growth of 8.5% in February 2022 relative to the prior year. The fall in the number of home sales is expected to put downward pressure on County Clerk fee revenues. Moreover, rising interest rates are projected to put downward pressure on

<sup>6</sup> LaMantia, Jonathan, "LI Homes Sales Hit Winter Lull in February, Prices show signs of Spring Surge", [Newsday.com](https://www.newsday.com), March 15, 2022.

both mortgage refinancings and home purchases, further constraining mortgage and deed fee revenues.

### **Conclusion**

The national and local economies are under tremendous and unprecedented pressure. Consumer inflation is at a forty year high, there are lingering pressures from the pandemic, and global uncertainty.

Up to now the local economy has managed to record positive momentum on both the labor and retail purchasing fronts. The Electronic Funds Transfer (EFT) of the March 4, 2022 County sales tax check showed that consumer purchases from February 1, 2022 through February 22, 2022 grew 16.0%. Part of that growth may be attributed to the regional consumer price growth of 5.1%; however it does appear that consumer's increased their purchasing level.

Careful monitoring of the economy is essential as many of the County's revenues are aligned with positive economic growth and the growth rates recorded in the prior year may not be reliable indicators for 2022.

***Prepared by:***  
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