



Economic Trends in New York State

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Highlights

- Job losses during the recession were less severe in New York State (3.8 percent) than in the nation (6.1 percent). New York State, however, still lost 336,700 jobs.
- The Gross State Product (GSP) expanded by 2.2 percent in 2010 after two years of decline.
- Private sector employment grew by 95,100 jobs during 2010 (1.4 percent) and by another 27,600 jobs during the first quarter of 2011.
- Public sector employment declined by 28,200 jobs (1.9 percent) between December 2009 and March 2011, as governments at every level grappled with budgetary pressures.
- The unemployment rate in New York doubled during the recession, and by March 2011 had only eased to 8 percent from its recent peak (8.9 percent in September 2009).
- Personal income rose by 4.1 percent during 2010—the second-highest rate of growth among the states—reflecting modest job growth and higher Wall Street bonuses.
- Wall Street earned \$27.6 billion in 2010, second only to the record profits of \$61.4 billion earned in 2009, which were fueled by federal bailouts and low interest rates.
- Economic output in all metropolitan areas of the State rebounded in 2010, with increases ranging from 0.7 percent in Binghamton to 3.3 percent in Ithaca.
- Private sector job growth resumed in 2010 in all but two of the State's 13 metropolitan areas. The fastest job growth occurred in Glens Falls (3.5 percent).
- Home values in the New York City metropolitan area peaked in May 2006 and then fell by more than 20 percent through April 2009. Values stabilized for a short while, but have begun to decline again.
- Home values in the five major upstate metropolitan regions (Albany, Binghamton, Buffalo, Rochester, and Syracuse) rose sharply in the fourth quarter of 2010.

The economic recovery took hold in New York in 2010, but it has been slow, and not all regions of the State have benefited equally. The private sector has added 122,700 jobs (1.8 percent), but public sector job losses have mounted as governments at all levels grapple with budgetary pressures. So far, New York has added a net of 94,500 jobs since December 2009, about 28 percent of the jobs lost during the recession.

Among the State's private sector industries, only tourism, health services, and education added jobs throughout 2009. These industries have continued to add jobs as the recovery extended to several other sectors in 2010.

The manufacturing and construction sectors, however, have continued to lose jobs. Since the start of the recession in 2008, construction had the largest rate of decline of any major sector (18.6 percent), shedding 67,500 jobs; manufacturing had a slightly lower rate of decline, but lost 86,200 jobs.

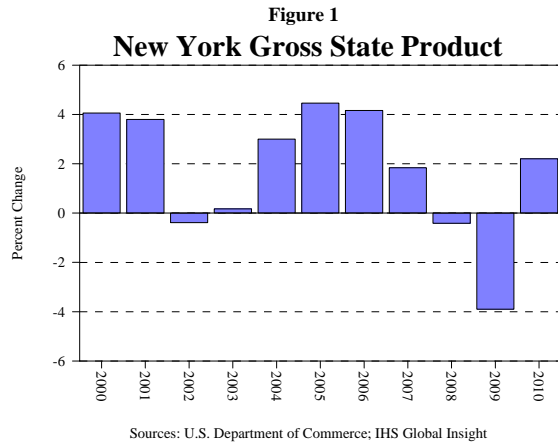
The securities industry in New York City—a major driver of the economies of both New York State and New York City—lost 28,200 jobs during the recession (14.9 percent), but has since added 9,700 jobs, or more than one-third of the jobs lost. Wall Street earned \$27.6 billion in 2010, the second-best year on record. Wall Street profitability may ease, however, as financial reforms take hold and the Federal Reserve begins to unwind recent economic stimulus initiatives.

Home values in the downstate region have begun to decline again, and foreclosures will continue to hold down prices. Inflationary pressures (such as rising oil and gasoline prices), disruptions due to the crisis in Japan, and low consumer confidence also could hold back economic activity.

While the New York economy is clearly improving—which will help State and local tax collections—the pace of the recovery will likely remain slow given current challenges.

Gross State Product

According to IHS Global Insight, New York's Gross State Product (GSP) grew at an estimated annual rate of 2.2 percent during 2010, after two consecutive years of decline (see Figure 1).



Economic output in all of the State's metropolitan areas rebounded in 2010, with increases in Gross Metropolitan Products (GMPs) ranging from 0.7 percent in Binghamton to 3.3 percent in Ithaca (see Figure 2). IHS Global Insight predicts that GMP growth will slow during 2011 in most areas around the State.

Figure 2
Annual Changes in Gross Metropolitan Product

| | 2008 | 2009 | 2010 |
|----------------------------|-------|-------|------|
| Albany | 1.1% | -0.1% | 2.2% |
| Binghamton | 3.4% | -2.1% | 0.7% |
| Buffalo | -0.4% | -1.7% | 2.9% |
| Glens Falls | 0.4% | -1.4% | 2.6% |
| Ithaca | 2.9% | -2.7% | 3.3% |
| Kingston | -1.1% | -2.7% | 1.9% |
| Long Island | 0.3% | -4.5% | 1.1% |
| Mid-Hudson | 1.0% | 0.0% | 3.1% |
| New York City ¹ | -0.5% | -4.4% | 2.1% |
| Rochester | -2.4% | -2.9% | 2.4% |
| Syracuse | -0.3% | -1.6% | 2.3% |
| Utica-Rome | -1.2% | -0.3% | 2.4% |

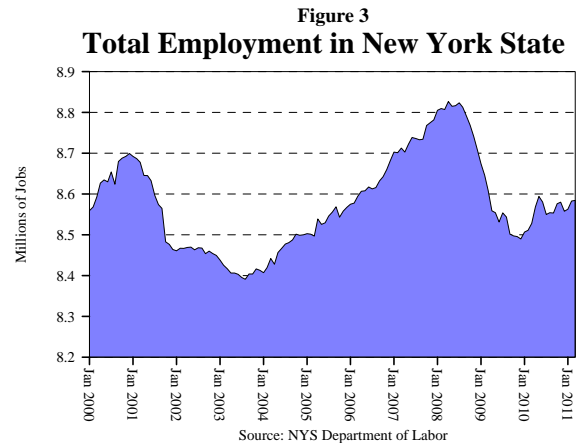
¹ Includes the Lower Hudson Valley.

Source: IHS Global Insight

Employment

According to the New York State Department of Labor, New York State lost 336,700 jobs between April 2008 and December 2009 (see Figure 3), a decline of 3.8 percent. Since then, New York has regained 94,500 jobs (67,800 jobs during 2010 and another 26,700 jobs during the first quarter of 2011), making up 28.1 percent of the loss.

Among the State's private sector industries, only tourism (i.e., leisure & hospitality), health services, and education added jobs throughout 2009 (see Figure 4, next page). These industries continued to add jobs in 2010 and the first quarter of 2011 as growth resumed in several other sectors, most notably in professional and business services; trade, transportation, and utilities; and financial activities.



The manufacturing, construction, and information sectors continued to lose jobs in 2010, but at slower rates than in the previous year. Nonetheless, since the start of the recession in 2008 these sectors have had sizable losses: construction had the largest rate of decline of any major employment sector (18.6 percent), shedding 67,500 jobs; manufacturing had a slightly lower rate of decline (16 percent), though losses were higher at 86,200 jobs; and the information sector contracted by 6.1 percent, eliminating 16,500 jobs.

Private employment growth resumed in 2010 in all but two metropolitan areas—Utica-Rome and Binghamton (see Figure 5, next page). Growth was strongest in Glens Falls, but Kingston, New York City, Rochester, and Ithaca all experienced growth that exceeded 1 percent. Most areas added jobs in the first quarter of 2011.

While the State's private sector is slowly recovering, adding 122,700 jobs since December 2009, the public sector is shedding jobs as governments at all levels grapple with budgetary pressures. Since December 2009, the State has lost 28,200 government jobs, and continued losses are likely. The Albany metropolitan area, for example, has experienced a decline of 6.3 percent in public sector employment since December 2009.

Figure 4
Jobs Gained and Lost in New York State

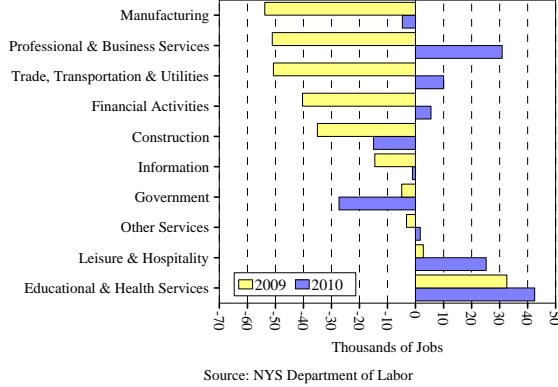
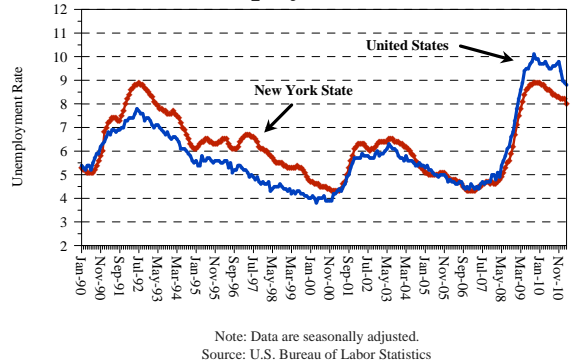


Figure 6
Unemployment Rates



Wall Street is a major driver of the economies of New York State and New York City. During the financial crisis and the recession, New York City's securities industry lost 28,200 jobs. Since job losses ended in January 2010, the industry has added 9,700 jobs, or more than one-third of the jobs lost. In the rest of the State, financial sector employment also began to rise in Utica-Rome and Glens Falls.

Unemployment Rate

During the recession, New York's unemployment rate more than doubled, rising from 4.3 percent in March 2007 to 8.9 percent in September 2009 (see Figure 6). By March 2011, the unemployment rate had only eased to 8 percent. The unemployment rate for some portions of the labor force is much higher. For example, among people without a college degree the unemployment rate was 10.9 percent in December 2010 (the most recent month for which such data are available).

From 2007 to 2009, annual unemployment rates rose in the major metropolitan areas throughout the State, with the largest increase in New York City (Ithaca had the smallest increase). By 2010, unemployment rates had begun to fall in some metro areas. Ithaca remained the area with the lowest unemployment rate in the State in 2010 (6.1 percent), while New York City continued to have the highest rate (9.5 percent).

The Department of Labor publishes unemployment rates for 99 localities in the State (see [Appendix](#)). In March 2011, 28 localities had unemployment rates that were higher than the statewide rate. The largest decline in the unemployment rate over the past year was in the City of Jamestown (from 11.5 percent to 8.6 percent). The unemployment rate rose in two localities during this period, with the largest increase in the City of Rome, where the unemployment rate rose from 8.7 percent to 9.2 percent.

Figure 5
Annual Changes in Employment and Unemployment Rates
New York State, New York City, and Major Metropolitan Statistical Areas

| | Private Employment | | Government Employment | | Unemployment Rate | |
|-----------------------|--------------------|-------|-----------------------|-------|-------------------|------|
| | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 |
| New York State | -3.0% | 1.4% | -0.3% | -1.8% | 8.4% | 8.6% |
| New York City | -2.7% | 1.3% | -1.1% | -2.1% | 9.3% | 9.5% |
| Long Island | -3.1% | 0.5% | 1.8% | 0.9% | 7.3% | 7.4% |
| Lower Hudson Valley | -2.9% | 0.4% | -2.0% | -1.8% | 7.2% | 7.2% |
| Buffalo MSA | -2.8% | 1.0% | -0.4% | -0.3% | 8.5% | 8.4% |
| Rochester MSA | -3.0% | 1.2% | 0.6% | 0.3% | 8.1% | 8.1% |
| Albany MSA | -2.8% | 0.4% | -1.0% | -5.5% | 7.1% | 7.3% |
| Syracuse MSA | -4.0% | 0.6% | 1.4% | -0.5% | 8.3% | 8.5% |
| Mid-Hudson Valley | -2.4% | 1.0% | -0.3% | -2.5% | 7.9% | 8.1% |
| Binghamton MSA | -4.5% | -0.3% | 0.5% | -0.3% | 8.3% | 8.7% |
| Utica-Rome MSA | -2.7% | -0.2% | -0.8% | 0.3% | 7.7% | 7.9% |
| Kingston MSA | -3.0% | 1.6% | 0.0% | -4.4% | 7.9% | 8.2% |
| Ithaca MSA | -1.1% | 1.1% | 10.0% | -2.1% | 6.0% | 6.1% |
| Glens Falls MSA | -3.1% | 3.5% | 4.7% | -2.4% | 7.9% | 8.2% |

Notes: Employment change is for seasonally adjusted month of December compared to one year earlier.

Unemployment rate is the annual average.

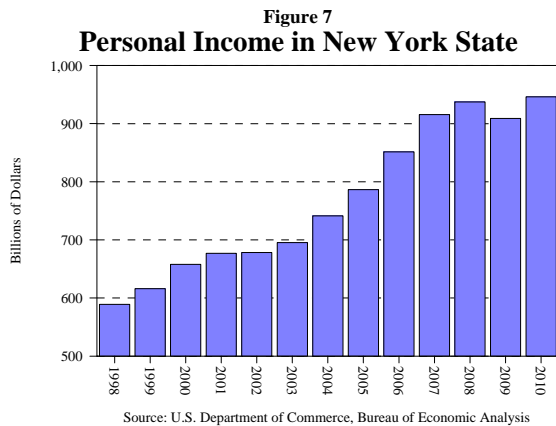
Sources: NYS Department of Labor; OSC analysis

Personal Income

In 2009, personal income fell by 3 percent—the largest decline in 70 years—reflecting job losses and an estimated 47 percent drop in Wall Street bonuses for work performed in 2008 but paid in the first quarter of 2009.

In 2010, personal income rebounded by 4.1 percent to its highest level ever—\$946.1 billion (see Figure 7). The growth in personal income exceeded the national rate (3 percent) and ranked second among the 50 states (New Mexico ranked first with a 4.2 percent gain).

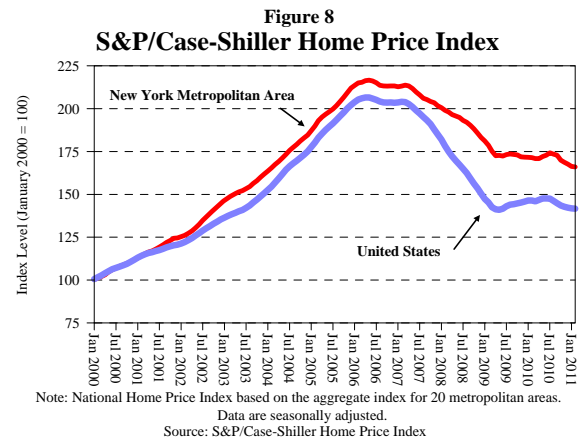
The strong rebound in 2010 reflects the resumption of modest job gains and, more importantly, a sharp rebound in Wall Street wages, including an estimated 27 percent increase in Wall Street bonuses that were paid during the first quarter of 2010 for work performed in 2009.



Housing

The housing crisis was not as severe in New York as it was in many other states, but the impact was significant. While the crisis was felt far more severely in the downstate region than in the rest of the State, some upstate communities were hit hard.

The S&P/Case-Shiller Home Price Index shows that home values in the New York City metropolitan area (which includes Long Island and the Lower Hudson Valley) peaked in May 2006 and then fell by more than 20 percent through April 2009 (see Figure 8). While home values stabilized for the next six months, they have subsequently resumed their decline. Between October 2009 and February 2011, home values in the New York metropolitan area fell 4 percent.



According to the National Association of Realtors, the housing markets in the five major upstate metropolitan regions (Albany, Binghamton, Buffalo, Rochester, and Syracuse) experienced a modest decline in recent years but rose sharply in the fourth quarter of 2010. Increases in median home prices between the fourth quarters of 2009 and 2010 ranged from 5.2 percent in Rochester to 15.6 percent in Binghamton (see Figure 9). Of the five, Albany had the highest median home value in the fourth quarter of 2010 (\$196,500), while Rochester had the lowest (\$117,900).

Figure 9
Median Home Prices
Major Upstate Metropolitan Areas

| | Fourth Quarter 2010 | Change From One Year Earlier |
|------------|------------------------|------------------------------------|
| Albany | \$196,500 | 7.6% |
| Binghamton | \$136,300 | 15.6% |
| Buffalo | \$126,500 | 14.3% |
| Rochester | \$117,900 | 5.2% |
| Syracuse | \$125,000 | 7.9% |

Source: National Association of Realtors

The Mortgage Bankers Association reports that while the share of mortgages in New York State that are at least 90 days delinquent eased to 3.6 percent in the fourth quarter of 2010 (from nearly 4.7 percent in the first quarter), the share of mortgages in the foreclosure process has continued to rise, reaching 5.2 percent (up from 1.1 percent four years earlier). Foreclosure filings remain more widespread in New York City and its suburbs than in the upstate regions—nine of the ten counties with the highest foreclosure filing rates were located downstate.