Economics Group

The New York Economic Recovery Continues

Employers added 153,300 jobs during August. The pace of improvement in hiring is slowing somewhat, but the state remains firmly on the path to recovery. The unemployment rate fell to 12.5% from 15.9%.

Another Big Job Gain, but Uncertainty May Hold Back More Progress

New York employers are making a lot of headway in recouping the jobs lost earlier in the year resulting from lockdowns meant to suppress COVID-19. Total nonfarm employers added 153,300 jobs during August, the fourth straight monthly gain. While much improved, a return to prior peak employment levels remains far off. Through August, total payrolls remain a little over 1.1 million jobs short of February’s peak level. The trend in job growth also appears to be downshifting somewhat. August’s gain came in just under the 161,500 payroll rise in July and well below the 274,000 bounce registered in June.

What’s more, the fairly substantial total gain was emboldened somewhat by a 57,000 payroll-gain in the public sector. Ramped up hiring in order to administer the decennial census was likely behind the 20,800 rise at the federal level. Local governments also added 35,800 jobs, most of which were likely education-related as schools prepare to re-open.

Even though the public sector accounted for a sizable share of total jobs added during the month, hiring in most major private sector industries remained in positive territory. Healthcare & social assistance registered a 14,000 job gain. The beleaguered retail trade industry expanded payrolls by 11,900, a sign that more consumers feel comfortable venturing out to go shopping. White-collar industries such as finance (+5,100) and professional & business services (+7,600) also saw hiring pick-up during the month. The ability to work remotely has thus far shielded these industries from layoffs seen elsewhere, but the adverse impacts of spring’s drop in overall economic activity may be more noticeable in the payroll numbers in the second half of the year. Hotels, bars and restaurants added 22,000 jobs, more than any other industry. The vast majority of this industry is centered in New York City, which just announced that indoor dining may resume at a reduced capacity starting in September. This should help support hiring as the colder months begin to set in and outdoor dining becomes less viable.

Loosening restrictions on restaurants is the latest sign that New York City is finally set on a path to recovery. The metro added over 107,000 jobs during August, the most since economic activity collapsed in March and April. Outside of the Five Boroughs, hiring was more muted. Rochester (+5,400), Buffalo (+4,800), Syracuse (+3,000) and Albany (+2,800) each posted an increase in payrolls, but gains were somewhat softer than previous months. Upstate New York is more dependent on manufacturing, which, according to the New York Fed’s Empire State Survey, rebounded in September after slowing in August. This bounce-back means overall hiring Upstate may be stronger in coming months.

All that being said, the second half of the year is sure to be a challenging one for New York. While the unemployment rate statewide fell to 12.5% from 15.9% in August, the jobless rate remains well above the 8.4% national rate. A plateauning number of initial jobless claims over the past few weeks at still elevated levels suggests layoffs continue to be widespread. And perhaps the tallest hurdle to clear is COVID-19 itself. Infection rates remain very low, but the path of the virus heading into the fall and winter is a big unknown. New cases have risen in every economy that has re-opened, so some rise in New York is likely. Overall, the New York economy is improving, but the pace of improvement appears set to slow.

Source: U.S. Department of Labor and Wells Fargo Securities