



Economics Group

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New York Recovery Beginning to Chill

Employers added 29,500 jobs during November, while the unemployment rate improved to 8.4%. Although still on track, the state's economic recovery appears to be losing a bit of steam alongside surging COVID cases.

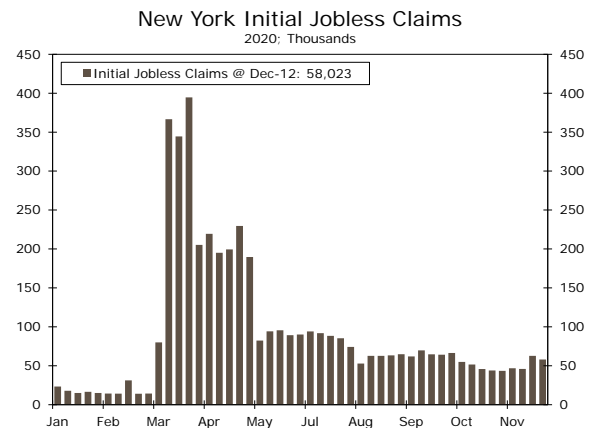
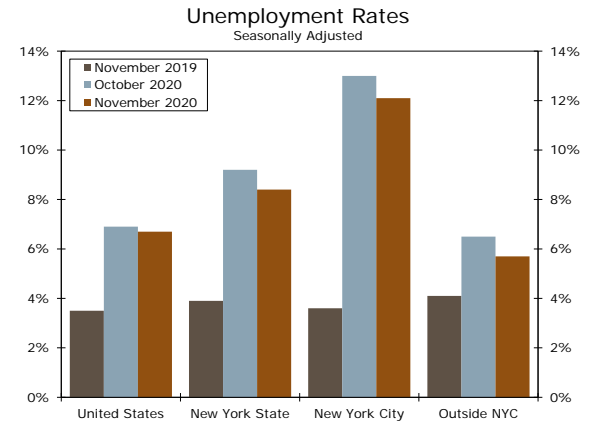
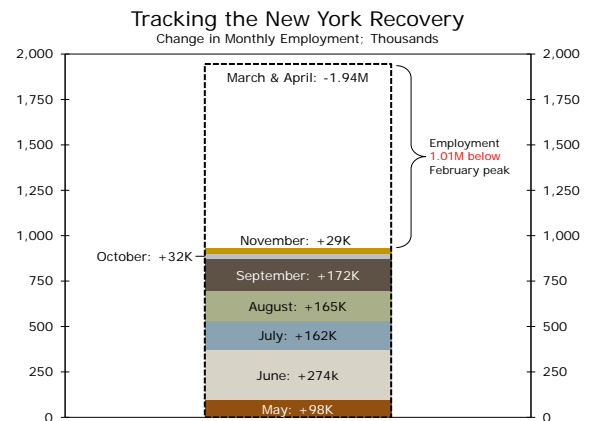
Momentum Fading, but 2021 Looks Much Brighter

Total nonfarm employment rose by 29,500 net new jobs during November, the seventh consecutive monthly gain. Private employers added an even greater 36,300 jobs, while government payrolls declined by 6,800. The state's service-providing industries (led by professional & business services and healthcare) accounted for most of the gain. Goods-producing industries registered a 3,000 job-loss. While this was another step in the right direction, employers have only recouped about 48% of the jobs that were lost during the spring. Furthermore, the unemployment rate, which fell to 8.4% from 9.2%, is still well-above the national rate.

New York's recovery remains intact, but the next few months will be challenging. The resurgence of COVID has already led to new precautionary restrictions on restaurants, gyms and other close-contact businesses. State officials have warned that more stringent measures may be necessary if the public health situation continues to deteriorate. Added restrictions and the threat of the virus itself appear to already be weighing heavily on the state's labor market. After steadily trending lower since the spring, jobless claims have begun to march higher. Claims were already highly elevated, and the recent increase suggests hiring will continue to slow in the months ahead.

Despite the short-term challenges, economic conditions should improve substantially in 2021. New York City, which is the heart of the state's economy, is primarily built around services, which have borne the brunt of the impact from lockdowns. Vaccine deployment is now underway, and much of the population should be inoculated by the end of the summer. This will help unlock many of the in-person activities that have become off-limits. Business travel will be slow to come back, however. Upstate is further along in its recovery thanks to its larger manufacturing base, which is benefitting from rising demand for capital equipment and consumer durable goods.

After what we expect will be a 6.2% decline in 2020, statewide real GDP growth should rise 3.9% in 2021. Employment growth should follow a similar trajectory. At the close of 2020, total payrolls will likely still be almost one million jobs below where they began the year. Next year, however, we anticipate payrolls to register a 476,000 job gain. Even with vaccines, the labor market recovery will be gradual. Statewide, the unemployment rate will continue to tick lower, but remain above 2019's average level through 2022. The accelerated exodus of businesses and residents will remain a headwind in 2021. Real estate costs have already started to adjust, which should help dissuade those thinking of leaving and attract those that might be enticed by lower rents. On net, we expect New York to continue to lose residents in the years ahead, but the large losses in 2020 are not likely to be repeated at such a large magnitude.



New York Economic Outlook

	Actual			Forecast		
	2017	2018	2019	2020	2021	2022
Real Gross Domestic Product by State, \$ Millions	1,424,906	1,467,077	1,490,679	1,398,863	1,453,150	1,518,254
Annual Rate	1.9%	3.0%	1.6%	-6.2%	3.9%	4.5%
Nominal Personal Income, \$ Millions	1,289,263	1,340,903	1,395,147	1,455,139	1,427,491	1,491,728
Percent Change	6.9%	4.0%	4.0%	4.3%	-1.9%	4.5%
Real Median Household Income, \$	64,185	68,493	71,855	76,820	72,800	74,250
Population, Thousands	19,590	19,530	19,454	19,317	19,221	19,144
Change in Thousands	-44	-59	-77	-136	-97	-77
Percent Change	-0.2%	-0.3%	-0.4%	-0.7%	-0.5%	-0.4%
Nonfarm Employment, Thousands	9,561	9,685	9,786	8,817	9,293	9,618
Change in Thousands	125	124	100	-969	476	325
Percent Change	1.3%	1.3%	1.0%	-9.9%	5.4%	3.5%
Unemployment Rate, Annual Average	4.7%	4.1%	3.9%	10.5%	6.2%	4.3%
Total Housing Permits	40,772	37,397	44,479	36,060	34,275	33,221
Single-Family Permits	11,736	10,622	9,632	9,580	9,775	9,721
Multi-Family Permits	29,036	26,775	34,847	26,480	24,500	23,500
FHFA Home Price Index, Percent Change	4.8%	5.3%	4.6%	5.1%	5.8%	4.7%

Forecast as of: December 18, 2020

Sources: National Association of Realtors, Federal Housing Finance Authority, U.S. Departments of Commerce and Labor, Moody's Analytics & Wells Fargo Securities

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