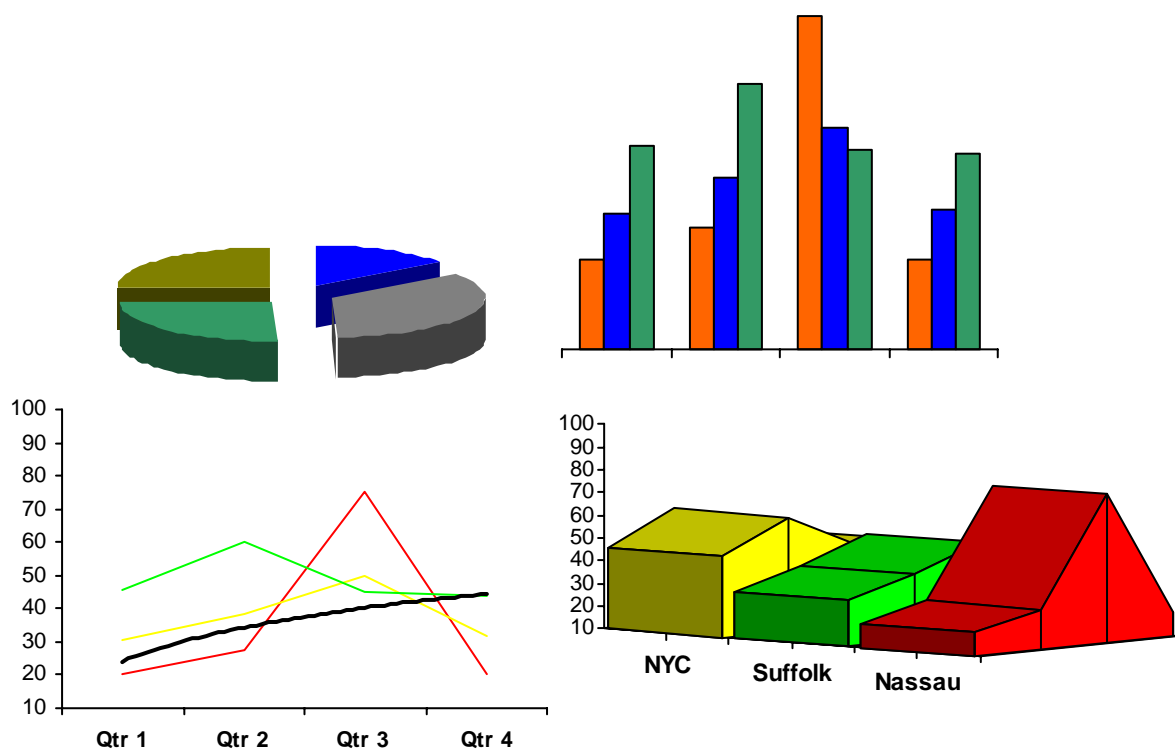




NASSAU COUNTY LEGISLATURE

Office of Legislative Budget Review

Nassau County Economic Indicators



June 2004



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OFFICE OF LEGISLATIVE
BUDGET REVIEW

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Inter-Departmental Memo

To: Hon. Lianne Altmann, Chairperson
Member of the Budget Review Committee

From: Eric C. Naughton, ^{EM}Director
Legislative Budget Review

Date: June 29, 2004

Re: June 2004 Economic Report

Attached is a copy of the Office of Legislative Budget Review's monthly economic report. This report is intended to assist the Legislature in making policy decisions and in assessing budgetary forecasts. From time to time it will be modified to include data that relates to specific events. The data presented is the most current as of the date of circulation and is the most geographically relevant.

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
Dr. Sal Guajardo, Majority Finance
Ed Ward, Special Assistant to Minority
Art Gianelli, Deputy County Executive
Carol Trottere, Majority Press Secretary
Marilyn Gottlieb, Director of Legislative Affairs
Bill Geier, Clerk of the Legislature
Fran Evans, Director of Policy

June 2004 Monthly Economic Report

May 2004 was a strong month for both the local housing and labor markets. However, the greater than anticipated increase in consumer prices seems to be constraining current and future consumer purchases and may cause the Federal Reserve to raise interest rates at the end of June. All things considered, the economy seems to be growing at a strong pace and should continue to do so in upcoming quarters. Indeed, the Conference Board's U.S. Leading Indicator Index increased in May revealing more future economic growth.

Local Area Employment Figures

Comparison of Employment Statistics (figures in thousands)					
	<u>5/04</u>	<u>4/04</u>	<u>5/03</u>	<u>Change from</u> <u>Prior Month</u>	<u>Change from</u> <u>Prior Year</u>
<u>Nassau</u>					
Employed	688.4	686.2	690.2	0.3%	-0.3%
Unemployed	26.5	27.7	27.4	-4.3%	-3.3%
Unemployment rate	3.7%	3.9%	3.8%	-5.1%	-2.6%
<u>Suffolk</u>					
Employed	731.3	729	733.2	0.3%	-0.3%
Unemployed	31.0	34.0	30.6	-8.8%	1.3%
Unemployment rate	4.1%	4.5%	4.0%	-8.9%	2.5%
<u>NYC</u>					
Employed	3,383.0	3,382.0	3,364.0	0.0%	0.6%
Unemployed	240.0	263.0	290.0	-8.7%	-17.2%
Unemployment rate	6.6%	7.2%	7.9%	-8.3%	-16.5%
<u>Nation</u>					
Employed	138,867.0	138,423.0	137,567.0	0.3%	0.9%
Unemployed	7,792.0	7,837.0	8,500.0	-0.6%	-8.3%
Unemployment rate	5.3%	5.4%	5.8%	-1.9%	-8.6%

Source: New York State Department of Labor

May 2004 was a positive employment month both regionally and nationally. All areas surveyed experienced a monthly increase in employed residents. This employment increase is evident in the increase in non-agricultural jobs detailed in the next section. All areas surveyed witnessed a monthly decline in the number of unemployed residents. However, since only Nassau County and the nation saw their labor forces increase from the prior month, some of the decline in unemployed residents seen

in New York City and Suffolk County must be attributed to individuals choosing to leave the labor force.

From an annual perspective the Long Island labor market is still trying to come back from where it was at this time last year in terms of employed residents. Hopefully, the strong non-agricultural job gains will be able to entice and employ new entrants to the labor force.

New York City experienced the greatest annual drop in unemployed residents. The large drop did not translate into more employed residents.

Nassau-Suffolk Non-agricultural Employment

Non-agricultural Employment Nassau-Suffolk Area (figures in thousands)					
	<u>5/04</u>	<u>4/04</u>	<u>5/03</u>	<u>Change from Prior Month</u>	<u>Change from Prior Year</u>
Natural Resources, Construction & Mining	66.6	63.9	65.0	4.2%	2.5%
Manufacturing	87.0	86.7	88.3	0.3%	-1.5%
Wholesale Trade	73.9	73.4	72.8	0.7%	1.5%
Retail Trade	161.6	160.3	159.6	0.8%	1.3%
Transportation, Warehousing & Utilities	36.5	35.6	36.5	2.5%	0.0%
Information	28.2	28.0	29.5	0.7%	-4.4%
Financial Activities	84.2	83.8	82.9	0.5%	1.6%
Professional & Business Services	154.5	152.7	153.1	1.2%	0.9%
Educational & Health Services	197.9	197.4	193.5	0.3%	2.3%
Leisure & Hospitality	95.6	90.3	94.4	5.9%	1.3%
Other Services	51.6	50.8	51.1	1.6%	1.0%
Government	206.2	206.2	203.2	0.0%	1.5%
Total	<u>1,243.8</u>	<u>1,229.1</u>	<u>1,229.9</u>	<u>1.2%</u>	<u>1.1%</u>

Source: NYS Department of Labor

In May 2004 the Long Island job market continued to strengthen. Total non-agricultural jobs on Long Island grew by 1.2%, surpassing the 1.0% mark indicative of healthy job growth. Job gains were seen

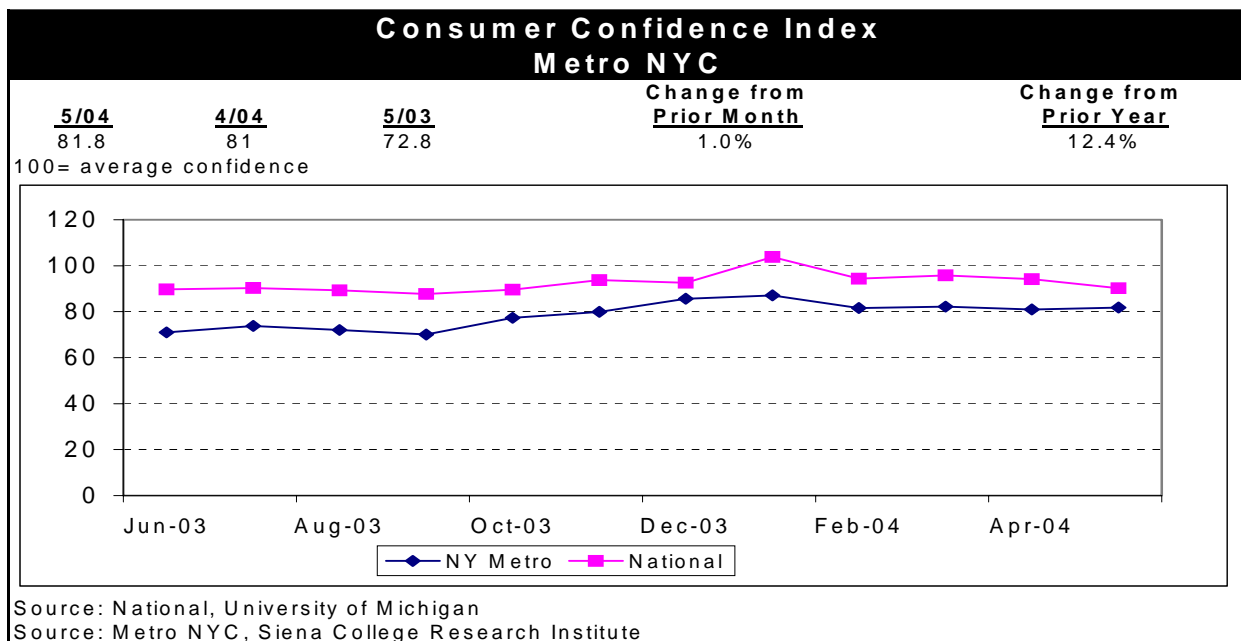
in all sectors, indicating that the growth was widespread and sustainable. Indeed, Manpower Inc.’s second quarter survey of employer hiring plans found that companies’ third quarter hiring plans will keep pace with those of the second quarter. They found that in the Northeast, 21% of educational and manufacturing employers, and 19% of finance, insurance and real estate, services, wholesale trade and retail trade employers plan to hire in the third quarter.¹

From a monthly perspective all sectors were either unchanged or gained jobs. The greatest gains were in the Leisure and Hospitality and Natural Resources, Mining and Construction sectors. From an annual perspective, 10 of the 12 sectors reported job gains. Only the manufacturing and information sectors saw a decline from their employment level at this time last year.

Consumer Confidence Index

May 2004 consumer confidence data was mixed. Regionally, consumer confidence strengthened, rising 1.0% from the prior month and 12.4% from the prior year. Meanwhile, national consumer confidence decreased 4.2% from last month and 2.1% from this time last year. Helping explain the rift between national and regional consumer confidence is the New York City Comptroller’s finding that New York City’s economy grew 7.0% during the first quarter 2004 while the national economy grew at a 4.4% rate over the same time period.²

The one unifying theme that emerged in both surveys was that future consumer buying plans are down. According to Siena Research Institute Director, Dr. Douglas Lonnstrom, “Gas prices have finally hit the pocket book, it’s clear that consumers are cutting back on other purchases because they have to spend so much on energy”.³ This is evident at gas stations themselves. Gas station owners report that when gas prices increase, sales inside their convenience stores fall. This is difficult for station owners who on average make 8.8% on sales of gasoline and 30.8% on sales inside their convenience stores. Government data shows that 10,000 gas station jobs nationwide have been cut in 2004.⁴



¹ “Hot Summer for Job Seekers”, CNN/Money.com, June 15, 2004.

² “Big Apple Soars”, 1010Wins.com, June 15, 2004.

³ Lonnstrom, Douglas, “New York Consumer Confidence for May”, The Siena College Research Institute, June 8, 2004.

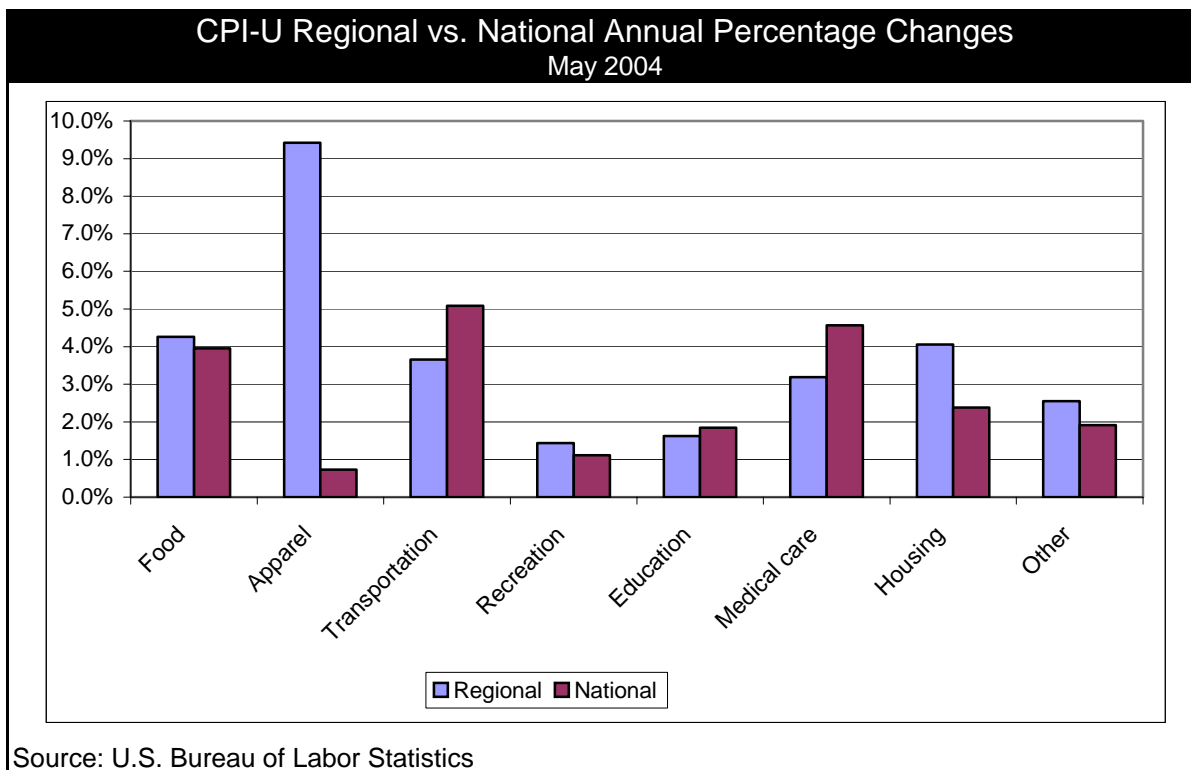
⁴ Hagenbaugh, Barbara, “Station Owners Hurt, Not Helped, by Record Gas Prices”, USAToday.com, May 28, 2004.

Consumer Price Indexes

Consumer Price Indexes New York-Northern Jersey-Long Island, NY-NJ-CT-PA region						
	<u>5/04</u>	<u>4/04</u>	<u>5/03</u>	<u>Change from Prior Month</u>	<u>Change from Prior Year</u>	
US City, CPI-U	189.1	188.0	183.5	0.6%	3.1%	
Regional CPI-U	204.4	204.0	196.8	0.2%	3.9%	
Core CPI-U (All Items less energy)	211.6	211.7	204.6	0.0%	3.4%	
Medical	317.2	317.1	307.4	0.0%	3.2%	
Housing	215.6	216.2	207.2	-0.3%	4.1%	
Gasoline (all types)	153.3	138.7	123.0	10.5%	24.6%	

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

May 2004 saw overall prices increase both regionally and nationally from both a monthly and an annual perspective. Propelling consumer prices forward was the rapid rise in the price of gasoline. The core CPI-U excluding energy costs was unchanged from last month.



From an annual perspective, regional apparel prices saw the greatest appreciation. Trailing the apparel sector in terms of regional appreciation were the food and housing sector. Contributing to the rise in food prices was the recently instituted increase in the cost of milk. The increase in the price of milk is

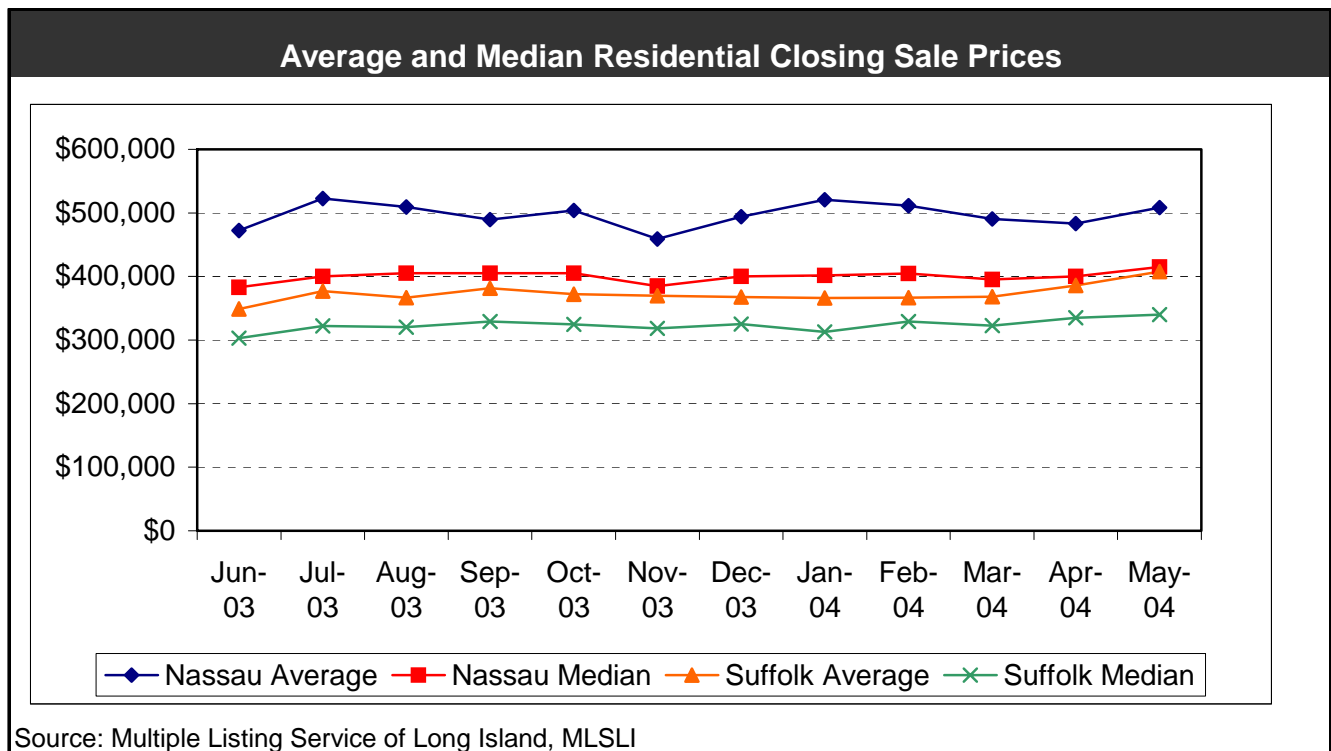
said to be affecting other dairy products like ice cream.⁵ Contributing to the rise in the housing sector was the increase seen in the price of a hotel room. According to the U.S. Bureau of Labor Statistics, the price of lodging away from home is up 5.6% from this time last year. Industry analysts attribute the increase to a surge in business travel.⁶ Adding further upward pressure to hotel prices is the projection made by the Travel Industry Association and AAA, that 3.2% more people will take driving vacations this year than last. To ensure that higher gas prices won't dampen summer travel, lodging establishments throughout the Country are offering to pay for the gas of visitors. Visitors receive their free gas in many forms: gas coupons, gas cards, or discounted prices for submitted gas receipts. The average discount was found to be \$30 for a three night stay.⁷

The price increases described above should positively impact County sales and hotel/motel tax collections.

Residential Housing Market

May 2004 saw Long Island's residential real estate market continue to grow at a fast pace. Both Nassau and Suffolk Counties saw increases in their average closing price, median closing price, and the number of closed transactions. These increases are positively affecting County Clerk departmental revenues.

In May 2004, Nassau County average closing prices rose 14.3% from last year and 5.17% from last month. Median closing prices were up 13.7% from last year and 3.75% from last month. Suffolk County similarly experienced a double digit annual growth rate. Average closed residential real prices in Suffolk County were up 24.4% from this time last year.

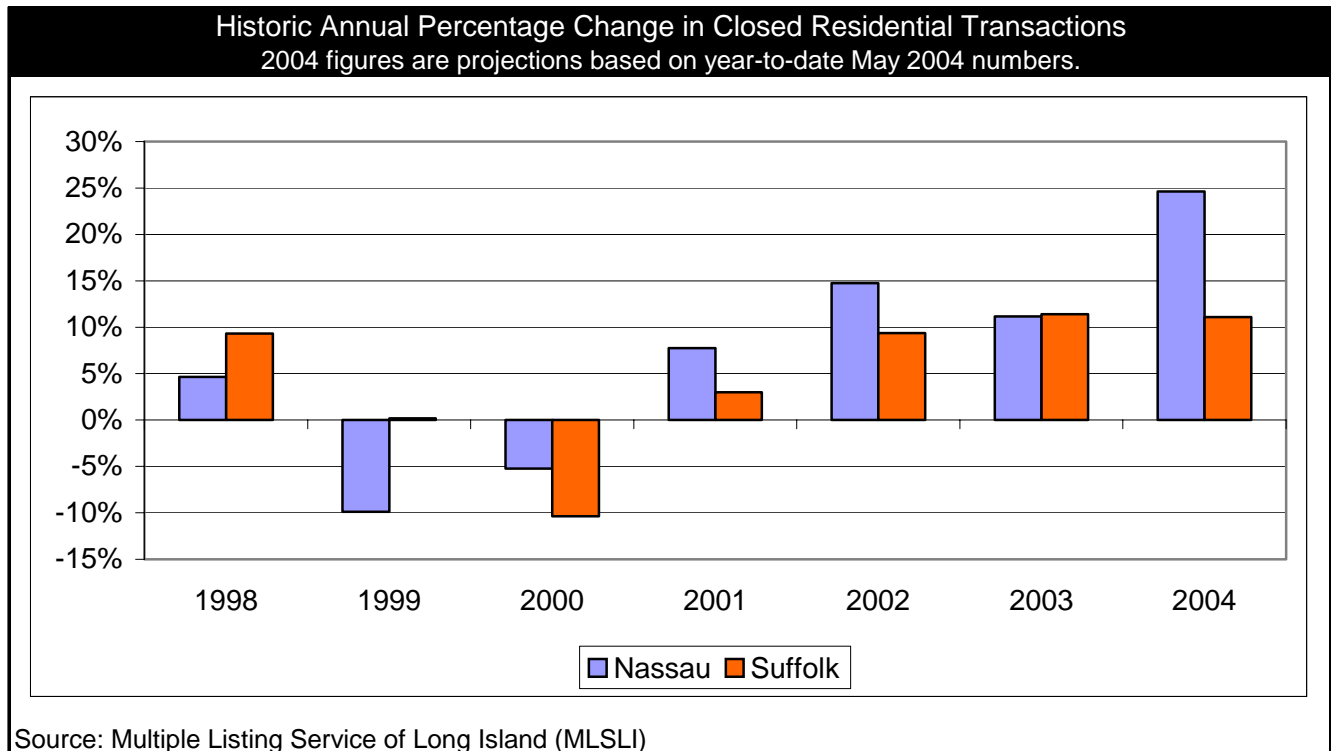


⁵ Myers, Jim, "Kids, Parents Screaming – Over Ice Cream Prices", [Tennessean.com](#), May 19,2004.

⁶ Binkley, Christina, "Hotel Rates Rise as Business Travel Booms", [The Wall Street Journal](#), June 7, 2004.

⁷ Brenna, Susan, "Filling Hotel Rooms One Tank at a Time", [The New York Times](#), June 11, 2004.

The explosive growth seen in Nassau County closed transactions continued this month. May 2004 marked the eighth month in a row in which the number of closed transactions in Nassau grew by more than 20% on an annual basis. If current trends continue, Nassau will end the year with an increase in closed transactions of 24.6%. Such an increase would be the greatest increase seen in Nassau during the past seven years. Suffolk County is also experiencing strong growth in its number of closed transactions. If current trends continue, Suffolk would see an 11.1% increase in its number of closed transactions. The chart below details the historic annual growth rates seen in the number of closed transactions for Nassau and Suffolk County.



Residential inventory levels were tight in both Nassau and Suffolk Counties. In Nassau, residential inventory levels fell 2.0% from this time last year. In Suffolk County, residential inventory levels increased 1.9% from this time last year.

Conclusion

The regional economy gained momentum in May 2004. More residents are employed and more jobs are available. However, as typically happens in a recovery, prices have increased in tandem with jobs. Future months will reveal if the new jobs will enable consumers to keep pace with rising prices and if a rise in interest rates will dampen consumer price growth.