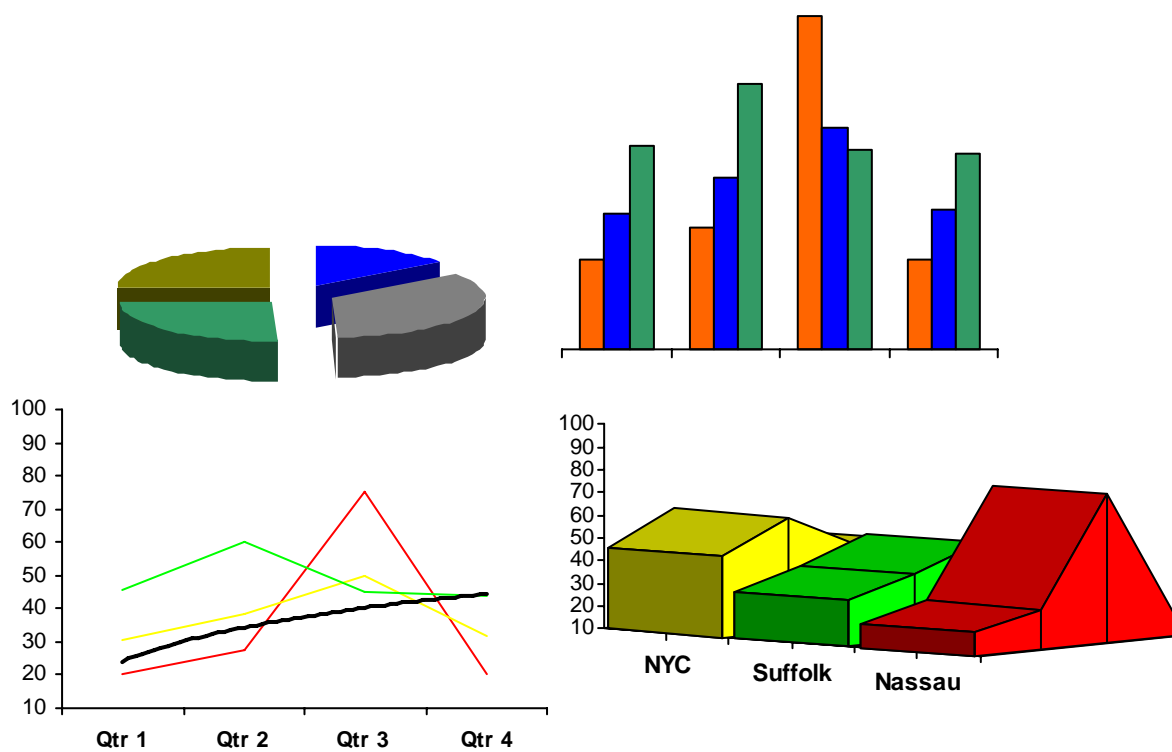




NASSAU COUNTY LEGISLATURE

Office of Legislative Budget Review

Nassau County Economic Indicators



July 2005

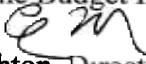


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Inter-Departmental Memo

To: Hon. Lisanne Altmann, Chairperson
Members of the Budget Review Committee

From:  Eric C. Naughton, Director
Legislative Budget Review

Date: August 10, 2005

Re: July 2005 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
David Gugerty, Majority Counsel
Mike Deegan, Minority Counsel
Mark Young, Budget Director
Richard Luke, Executive Director, NIFA
Dan McCloy, Special Assistant Minority
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

July 2005 Monthly Economic Indicators Report

In June 2005, our regional economy moved forward. A short-lived decline in energy prices coupled with a decline in the price of recreation items led to a fall in our regional CPI. The job, employment, tourism and housing markets all recorded strong growth. Looking forward, doubts were raised regarding the sustainability of current housing market growth rates. Moreover, higher energy prices, higher interest rates and the decline in our regional consumer confidence may result in a future decline in consumer spending.

Consumer Price Indexes

Consumer Price Indexes New York-Northern Jersey-Long Island, NY-NJ-CT-PA region					
	<u>6/05</u>	<u>5/05</u>	<u>6/04</u>	<u>Change from Prior Month</u>	<u>Change from Prior Year</u>
US City, CPI-U	194.5	194.4	189.7	0.1%	2.5%
Regional CPI-U	210.7	211.4	206.0	-0.3%	2.3%
Core CPI-U (All Items less energy)	216.3	217.5	212.2	-0.6%	1.9%
Medical	327.4	325.9	318.1	0.5%	2.9%
Housing	224.9	224.4	218.4	0.2%	3.0%
Gasoline (all types)	169.9	171.4	164.6	-0.9%	3.2%

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

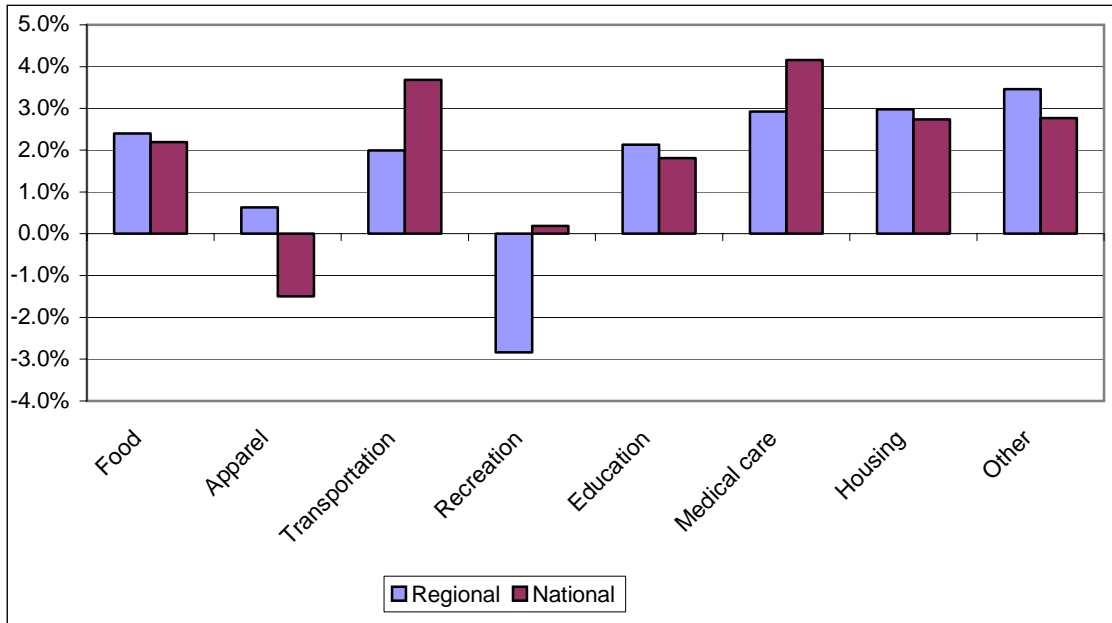
National and regional consumer prices traveled different paths in June 2005. National prices increased 0.1% from the prior month, while regional prices fell 0.3%. From an annual perspective, national consumer prices rose 2.5% and regional consumer prices rose 2.3%. Analysts attributed the mild inflation pressures to a short-lived decline in energy prices. Energy prices in July have subsequently risen.¹ Energy prices are currently at record levels and are expected to remain high throughout the end of the summer.² High gasoline prices are said to be a drag on economic growth. According to Federal Reserve Chairman Alan Greenspan, the rise in oil prices since the start of 2004 cut a half a percentage point off growth last year and three-quarters of a point this year.³

¹ Crutsinger, Martin, "Consumer Inflation Absent Again in June", 1010Wins.com, July 14, 2005.

² Drury, Allan, "Gas Prices Break through \$3 Mark", TheJournalNews.com, July 16, 2005.

³ Drury, Allan, "Gasoline Costs are a Drag on Businesses", TheJournalNews.com, July 22, 2005.

CPI-U Regional vs. National Annual Percentage Changes June 2005



Source: U.S. Bureau of Labor Statistics

The chart above details the annual changes seen in the consumer price indices both nationally and regionally. Nationally, apparel prices were the only sector to record a decrease. Regionally, the recreation sector was the only one to see an annual decline. In June 2005, the recreation sector recorded both a monthly and an annual decline. According to the Bureau of Labor Statistics press release,

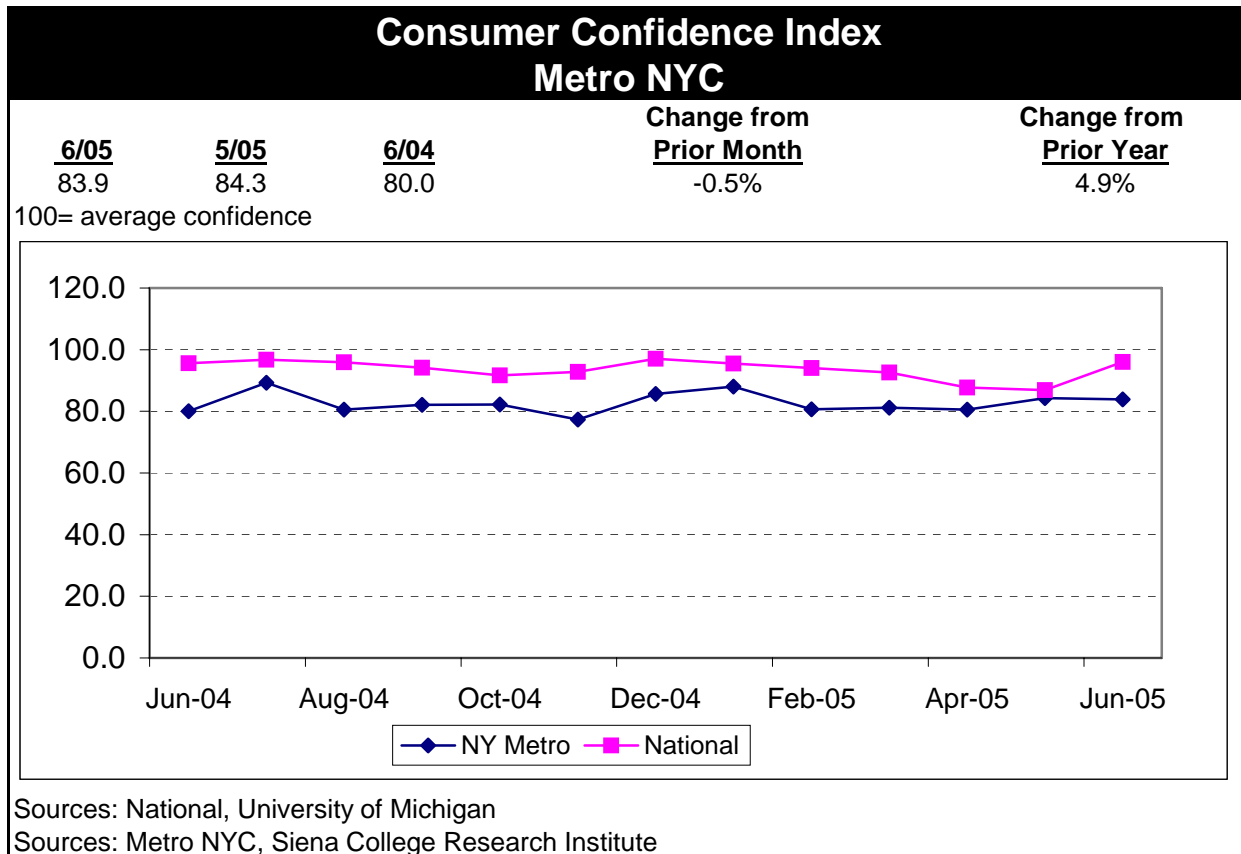
The June decline in the recreation index was the largest over-the-month decrease since the Bureau of Labor Statistics first began publishing this series for the area in 1998. The decrease reflected a steep drop in cable TV charges and lower prices for televisions, audio equipment, sporting goods, and toys. Categories included in this index at the national level include, video & audio, pets, pet products and services, sporting goods, photography, toys, recreation services and recreational reading material.⁴

⁴ “New York-Northern New Jersey CPI down 0.3 Percent in June; Up 2.3 Percent Annually”, Press Release, U.S. Bureau of Labor Statistics, July 14, 2005.

Consumer Confidence Index

In June 2005, regional consumer confidence fell 0.5% from the prior month. Conversely, national consumer confidence rose 10.5% from the prior month.

Coinciding with the heightened national consumer confidence, national retail sales rose 1.7% from the prior month in June 2005. Economists had expected June 2005 retail sales to rise 0.9% from the prior month. The retail sales increase was broad based, with a large increase witnessed in auto sales.⁵



⁵ “Retail Sales Rev Up in June”, [CNN/Money.com](http://www.cnn.com), July 14, 2005.

Local Area Employment Figures

June 2005 recorded strong employment gains. All areas surveyed witnessed an increase in employed residents from both a monthly and an annual perspective. From an annual perspective, all areas surveyed saw a decline in both their unemployment rate and the number of unemployed residents.

Excluding New York City, all areas surveyed experienced both a monthly and an annual increase in their labor force. Labor force growth is considered a sign of a healthy economy since individuals are being drawn back into the work force due to greater job opportunities.

Comparison of Employment Statistics (figures in thousands)					
	<u>6/05</u>	<u>5/05</u>	<u>6/04</u>	Change from Prior Month	Change from Prior Year
<u>Nassau</u>					
Employed	677.9	666	667.3	1.8%	1.6%
Unemployed	29	27.1	32.6	7.0%	-11.0%
Unemployment rate	4.1%	3.9%	4.7%	5.1%	-12.8%
<u>Suffolk</u>				Change from Prior Month	Change from Prior Year
Employed	756	742.7	744.1	1.8%	1.6%
Unemployed	31.7	29.9	35.4	6.0%	-10.5%
Unemployment rate	4.0%	3.9%	4.5%	2.6%	-11.1%
<u>NYC</u>				Change from Prior Month	Change from Prior Year
Employed	3,502.2	3,500.3	3,435.4	0.1%	1.9%
Unemployed	195.9	205.4	270.0	-4.6%	-27.4%
Unemployment rate	5.3%	5.5%	7.3%	-3.6%	-27.4%
<u>Nation</u>				Change from Prior Month	Change from Prior Year
Employed	142,456.0	141,591.0	139,861.0	0.6%	1.9%
Unemployed	7,870.0	7,287.0	8,616.0	8.0%	-8.7%
Unemployment rate	5.2%	4.9%	5.8%	6.1%	-10.3%

Source: New York State Department of Labor and US Bureau of Labor Statistics

Nassau-Suffolk Non-agricultural Employment

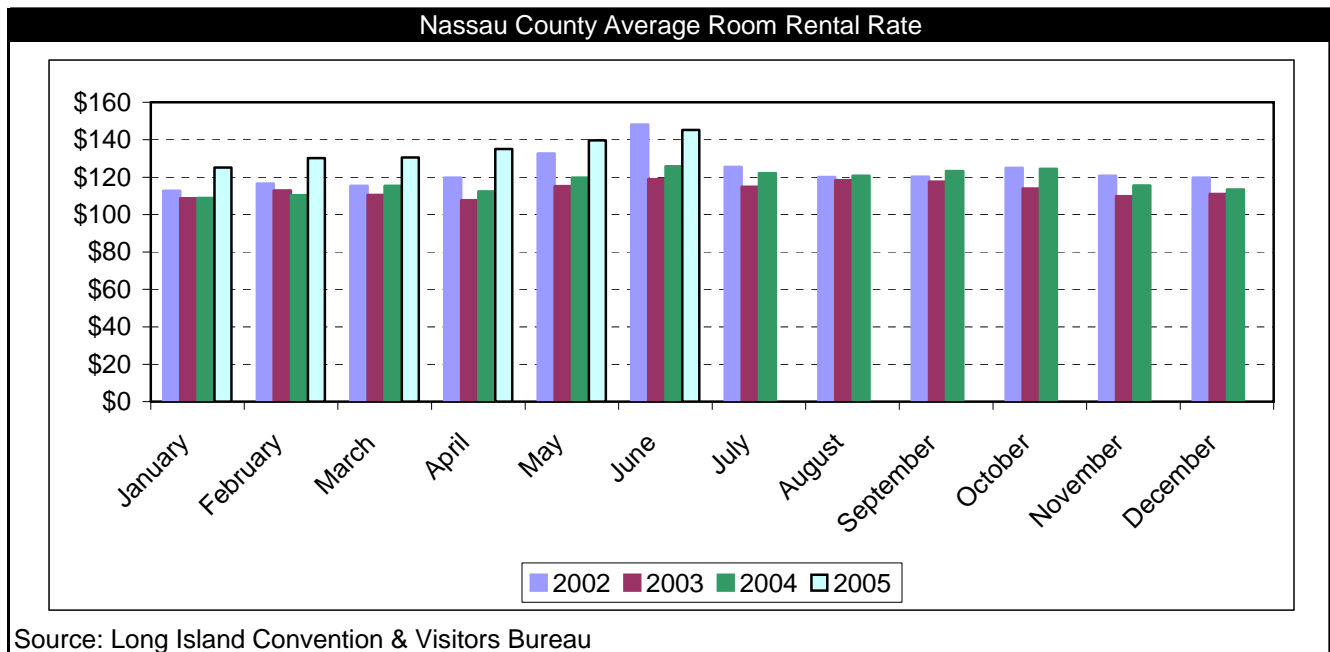
Non-agricultural Employment Nassau-Suffolk Area (figures in thousands)					
	<u>6/05</u>	<u>5/05</u>	<u>6/04</u>	<u>Change from Prior Month</u>	<u>Change from Prior Year</u>
Natural Resources, Construction & Mining	68.5	66.9	67.8	2.4%	1.0%
Manufacturing	88.5	88.1	88.5	0.5%	0.0%
Wholesale Trade	72.7	72.1	73.1	0.8%	-0.5%
Retail Trade	164.0	160.7	163.5	2.1%	0.3%
Transportation, Warehousing & Utilities	38.3	37.9	37.3	1.1%	2.7%
Information	28.8	28.8	29.1	0.0%	-1.0%
Financial Activities	84.8	84.1	84.2	0.8%	0.7%
Professional & Business Services	162.3	159.6	158.3	1.7%	2.5%
Educational & Health Services	198.4	200.3	195.0	-0.9%	1.7%
Leisure & Hospitality	107.6	100.8	105.1	6.7%	2.4%
Other Services	52.1	51.6	51.8	1.0%	0.6%
Government	201.9	202.3	202.6	-0.2%	-0.3%
Total	<u>1,267.9</u>	<u>1,253.2</u>	<u>1,256.3</u>	<u>1.2%</u>	<u>0.9%</u>
Source: NYS Department of Labor					

June 2005 was an encouraging month on the job front. From a monthly perspective, total new job growth exceeded the 1% mark indicative of a healthy economy. The monthly job growth was broad based with ten of the twelve sectors surveyed remaining constant or registering an increase. The Educational & Health Services and Government sectors were the only two sectors to see a monthly decline in jobs. The Leisure & Hospitality sector recorded the greatest monthly job growth.

Job growth from an annual perspective was substantial but shy of the 1% mark indicative of a healthy economy. Annual job growth was widespread with nine of the twelve sectors analyzed remaining constant or experiencing an increase. The greatest annual job growth recorded was in the Transportation, Warehousing & Utilities sector.

The Lodging Industry

Summer tourism was robust in June 2005. As mentioned previously, the Leisure & Hospitality sector witnessed the greatest monthly job growth. Despite an increased supply of hotel rooms, hotel/motel occupancy rates in Nassau County were up from both a monthly and an annual perspective. Moreover, strong demand has enabled hotels and motels to raise their average room rental rate while renting out more rooms.



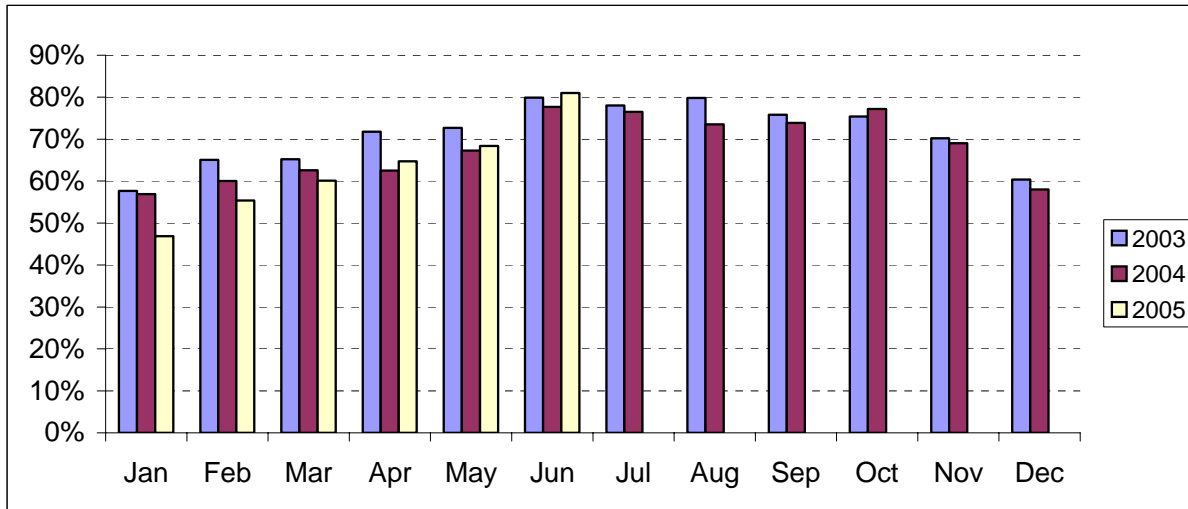
The above chart details average room rental rates in Nassau by month over the previous four years. Nassau County's average room rental rate in June 2005 was \$145.28, 15.4% greater than the prior year and 4.0% greater than the prior month. However, June 2005's average room rental rate was below June 2002's \$148.17 level. June's average room rental rate was the first monthly rate recorded in 2005 that did not represent a four year high.

Nassau County Hotel / Motel Occupancy Rate					
	<u>6/05</u>	<u>5/05</u>	<u>6/04</u>	<u>Change from Prior Month</u>	<u>Change from Prior Year</u>
Occupancy Rate	81.0%	68.4%	77.7%	18.4%	4.2%

Source: Long Island Convention and Visitors Bureau

The chart above details hotel/motel occupancy rates in Nassau County from a monthly and an annual perspective. The chart on the next page records Nassau County occupancy rates by month over the past four years. June 2005 occupancy rate represented a three year high. Reaching a three-year occupancy high is an accomplishment since several new hotels and motels have been built over this time frame.

Nassau Hotel/Motel Occupancy Rate



Source: Long Island Visitor Information Bureau

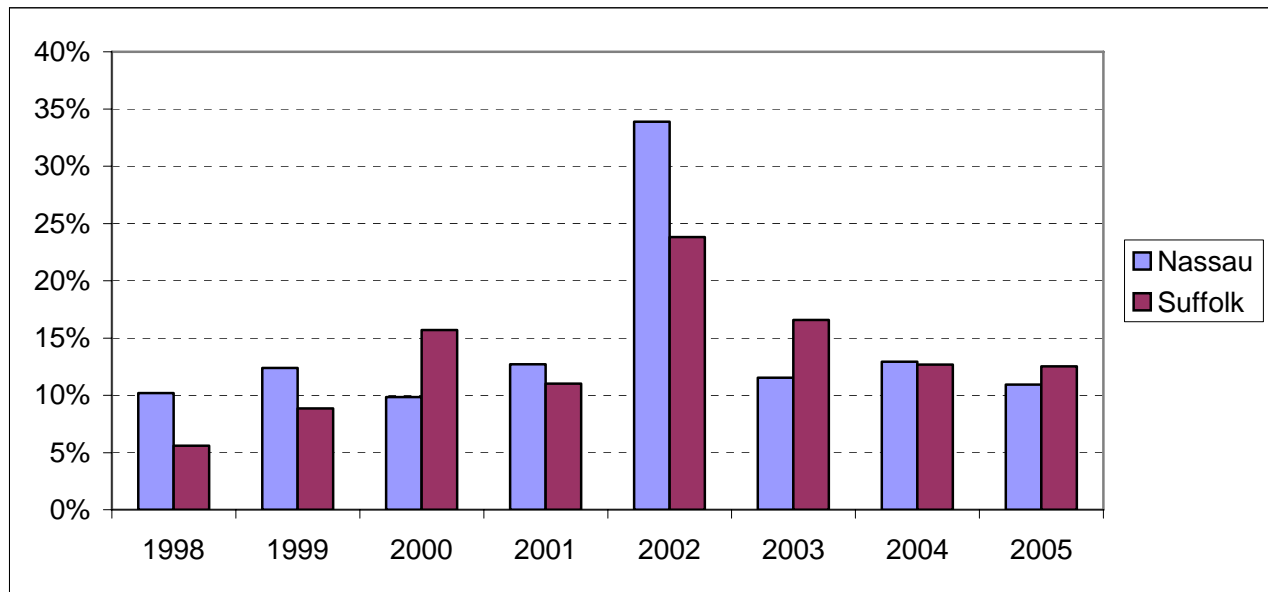
Residential Housing Market

Regionally, home prices similarly appreciated at a rapid pace in July 2005. In Nassau, the median home sale price was \$490,000, 12.1% greater than this time last year. In Suffolk, the median home sale price was \$400,000, 13.5% higher than the previous year. This was the first time that the median price of homes sold in Suffolk County reached \$400,000. This rise in median home sale prices has analysts concerned about housing affordability on Long Island.⁶ The scarcity of affordable housing on Long Island is further detailed below in statistics compiled by the PMI Mortgage Insurance Co.

The chart on the next page details the projected annual residential home price appreciation for both Nassau and Suffolk Counties. If current trends continue, real estate in Nassau County would end the year 10.9% higher than the previous year. In Suffolk County residential home prices are projected to end the year 12.5% higher than they did in 2004.

⁶ Tse, Tomoeh Murakami, "Median Home Price Reaches \$400K in Suffolk", [Newsday.com](http://www.newsday.com), August 9, 2005.

Annual Percentage Change in Residential Housing Average Closing Price
2005 figures are projections based prices through July 2005



Source: Multiple Listing Service of Long Island

The most recent PMI Market Risk Index found that this accelerated rate of appreciation is not sustainable and that most of the country is susceptible to housing price declines within the next two years. According to their second quarter report, 36 of the 50 housing markets studied across the country recorded an increase in their risk of a housing price decline. The Nassau-Suffolk metropolitan area has a 54% chance of experiencing a housing price decline over the next two years. That reading is up from Long Island's first quarter 2005 index of 51.1%. Long Island's regional risk index was the second highest nationwide. There were only 6 areas across the country which had 50% or more risk of a housing price decline.⁷ The chart on the next page details the risk indices for several housing markets across the country.

⁷ "Risky Housing Market Becoming Riskier", PMIgroup.com, Press Release, July 27, 2005.

PMI US Market Risk Index	
Metropolitan Statistical Area (MSA)	Risk Index
Boston-Quincy, MA	55.3%
Nassau-Suffolk, NY	54.0%
San Diego-Carlsbad-San Marcos, CA	52.8%
San Jose-Sunnyvale-Santa Clara, CA	51.3%
Santa Ana-Anaheim-Irvine, CA	51.2%
Oakland-Fremont-Hayward, CA	50.9%
Cambridge-Newton-Framingham, MA	46.9%
Edison, NJ	36.4%
New York-Wayne-White Plains, NY-NJ	32.6%
Newark-Union, NJ-PA	25.1%
Average	21.3%
Washington-Arlington-Alexandria, DC-MD-VA-WV	20.9%
Philadelphia, PA	7.6%
Indianapolis, IN	5.9%
Memphis, TN-MS-AR	5.8%
Pittsburgh, PA	5.6%

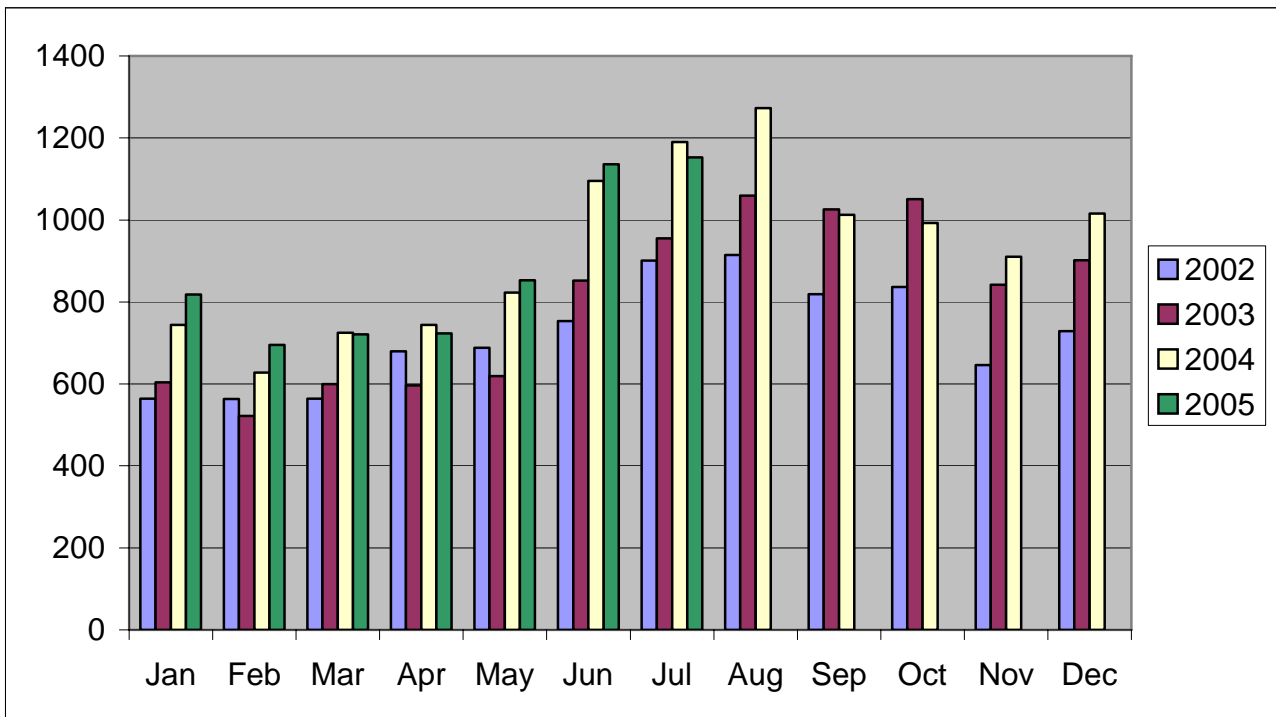
Source: PMI Mortgage Insurance Co.

The above listed risk indices are computed using a statistical model designed to predict the probability of a regional decline in home prices within the nation's 50 largest metropolitan statistical areas over the next two years. The model uses statistics from the Office of Federal Housing Enterprise Oversight, the Bureau of Labor Statistics, local median household income, home price appreciation, and the price of a conventional mortgage.⁸

The number of closed transactions in Nassau County for the month of July 2005 was 1,153. That represents a 3.1% decrease from July 2004. The chart on the next page details the number of closed transactions by month in Nassau County over the past four years.

⁸ Same as above.

Nassau County Closed Residential Transactions by Month



Source: Multiple Listing Service of Long Island, MLSLI

Residential inventory levels rose on Long Island in July 2005 from both a monthly and an annual vantage point. Residential inventory levels in Nassau increased by 6.0% from the prior month and 21.8% from the prior year. In Suffolk County residential inventory levels rose 3.2% from June 2005 and 24.0% from July 2004.

Conclusion

The Long Island regional economy exhibited strong growth in most of the markets surveyed. Some viewed our housing market as inflated. Regional consumer confidence was the only area to record softness this month. Hopefully, the strong job and employment growth will continue and enable residents to feel more confident and afford to increase purchases.