

# LIA Monthly Economic Report

A Research Report for Directors and Members of the Long Island Association, Inc.

July, 2020



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This issue of the LIA newsletter continues to monitor and assess the latest economic effects of the coronavirus on Long Island and the outlook going forward. Business conditions have improved, though conditions are still well below pre-pandemic activity levels. The labor market has also shown improvement as private sector jobs increased substantially month-over-month in May. However, the number of persons employed in May is still some 20.6 percent below May 2019 levels.

Perhaps most concerning is the sharp decline in sales tax collections, which fell more than 30 percent year-over-year in Nassau and Suffolk counties. This highlights the need for further federal support to state and local governments. Private home sales continued their sharp decline in both Nassau and Suffolk counties.

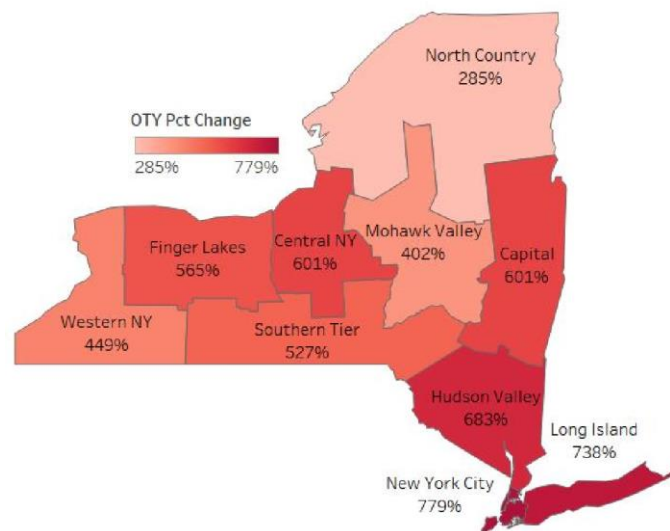
The spikes in coronavirus in many states that reopened quickly reaffirm the importance of gradual reopening and social distancing.

## ECONOMIC EFFECTS OF THE PANDEMIC: LABOR MARKET



Labor market regions with the most rapid over-the-year percentage increase in initial claims included: New York City (+779%), Long Island (+738%), Hudson Valley (+683%), Capital (+601%) and Central NY (+601%).

### Initial Claims Data Over-the-Year Percent Change in Initial Claims by Region Week Ending 6/20/2020



Source: New York State Department of Labor

Statewide industries in New York with the most rapid over-the-year percentage increase in initial claims included:

- Other Services (+786%)
- Educational Services (+1,523%)
- Public Administration (+709%)
- Health Care and Social Assistance (+645%)
- Retail Trade (+611%).

Private sector payroll employment on Long Island rose by 50,700 in May, consistent with the gradual reopening of Long Island's economy. In contrast, employment fell by 7,800 and 252,000, respectively, in March and April.

At 918,700 in May, private sector employment is 238,500, or 20.6 percent, lower than in May 2019.

## ECONOMIC EFFECTS OF THE PANDEMIC: BUSINESS CONDITIONS



The National Federation of Independent Business (NFIB) Small Business Optimism Index rose by 3.5 points in May to 94.4, a sizable increase from April's 90.9 reading. Eight of the 10 Index components improved in May and two declined. The NFIB Uncertainty Index increased seven points to 82. Reports of expected business conditions in the next six months increased 5 points to a net 34%, following a 24-point increase in April. Owners are optimistic about future business conditions and expect the recession to be short-lived.

### Small Business Optimism

*Abrupt Turn in Small Business Optimism Ends 39-Month Historic Run*

Index Component	Net %	Change From Apr.
Plans to Increase Employment	8%	▲ 7
Plans to Make Capital Outlays	20%	▲ 2
Plans to Increase Inventories	2%	▲ 6
Expect Economy to Improve	34%	▲ 5
Expect Real Sales Higher	-24%	▲ 18
Current Inventory	-5%	▲ 2
Current Job Openings	23%	▼ -1
Expected Credit Conditions	-4%	▲ 2
Now a Good Time to Expand	5%	▲ 2
Earnings Trends	-26%	▼ -6



[NFIB.com/sboi](https://www.nfib.com/sboi)

Manufacturing firms in New York State reported that business activity held steady in June after deteriorating sharply over the prior two months. The general business conditions index climbed nearly fifty points from the unprecedented lows in April and May, reaching -0.2. The index has climbed a total of nearly eighty points over the past two months. Thirty-six percent of respondents reported that conditions had improved in June, and an equal percentage reported that conditions had worsened.

Firms were much more optimistic about future conditions. The index for future business conditions rose twenty-seven points to 56.5, its highest level in more than a decade. The indexes for future new orders and future shipments also posted significant increases. The index for future employment rose to 19.0, its highest level in many months, suggesting firms expect to increase employment in the months ahead. The capital expenditures index climbed slightly above below zero, a sign that firms, on net, planned to increase capital spending.

Business activity in the region's service sector declined substantially in June, though at a much slower pace than in the prior two months. The headline business activity index increased thirty-six points to -40.0. Sixty percent of respondents reported that conditions worsened over the month, while nineteen percent said that conditions improved. The business climate index rose eleven points to -82.3, with 87 percent of respondents viewing the business climate as worse than normal.

For the first time in recent months, firms expected conditions to improve over the next six months. The indexes for future business activity and future business climate both climbed above zero. Firms also expected employment and wages to increase in the months ahead, though selling prices and capital spending were expected to continue to decline.

## ECONOMIC EFFECTS OF THE PANDEMIC: CONSUMER CONFIDENCE AND SPENDING



Consumer sentiment slipped in the last half of June, although it still recorded its second monthly gain over the April low. While most consumers believe that economic conditions could hardly worsen from the recent shutdown of the national economy, prospective growth in the economy is more closely tied to progress against the coronavirus. The early reopening of the economy has undoubtedly restored jobs and incomes, but it has come at the probable cost of an uptick in the spread of the virus.

### Final Results for June 2020

	Jun 2020	May 2020	Jun 2019	M-M Change	Y-Y Change
Index of Consumer Sentiment	78.1	72.3	98.2	+8.0%	-20.5%
Current Economic Conditions	87.1	82.3	111.9	+5.8%	-22.2%
Index of Consumer Expectations	72.3	65.9	89.3	+9.7%	-19.0%

Consumer pessimism has translated into weak spending. Consumer spending as indicated by sales tax collections declined rapidly in May. Sales tax collections declined by 30.73 percent year-over-year in Suffolk County and by 31.04 percent in Nassau.

## ECONOMIC EFFECTS OF THE PANDEMIC: PRIVATE HOMES

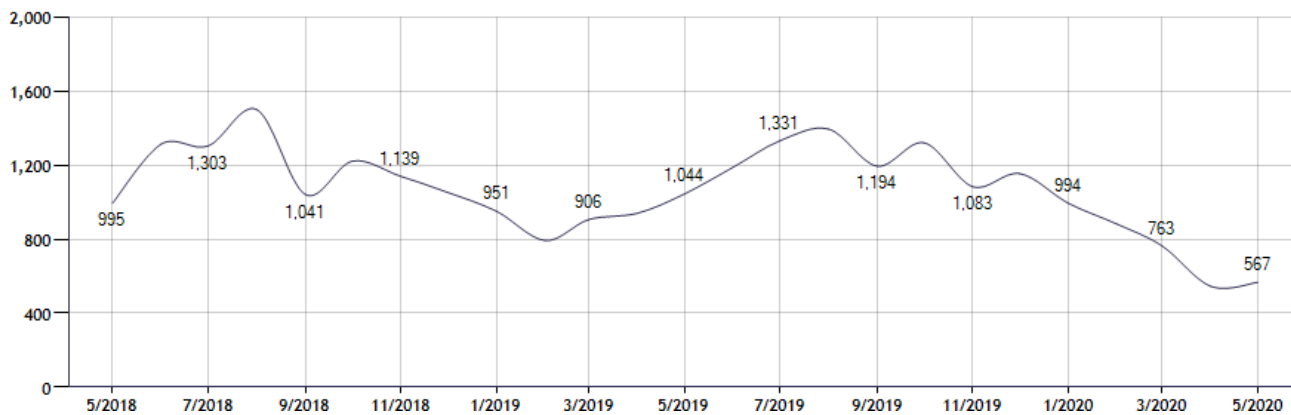


May home sales declined dramatically. Year-over-year sales declined by 45.7 percent in Nassau County, from 1,044 to 567 units sold. Sales fell by 34.4 percent in Suffolk County, from 1,441 to 946 units sold.

In contrast, home sales prices rose substantially, increasing by 10.4 percent year-over-year in Nassau County, from \$530,000 to \$585,000 and by 10.1 percent in Suffolk, from \$390,000 to \$429,450.



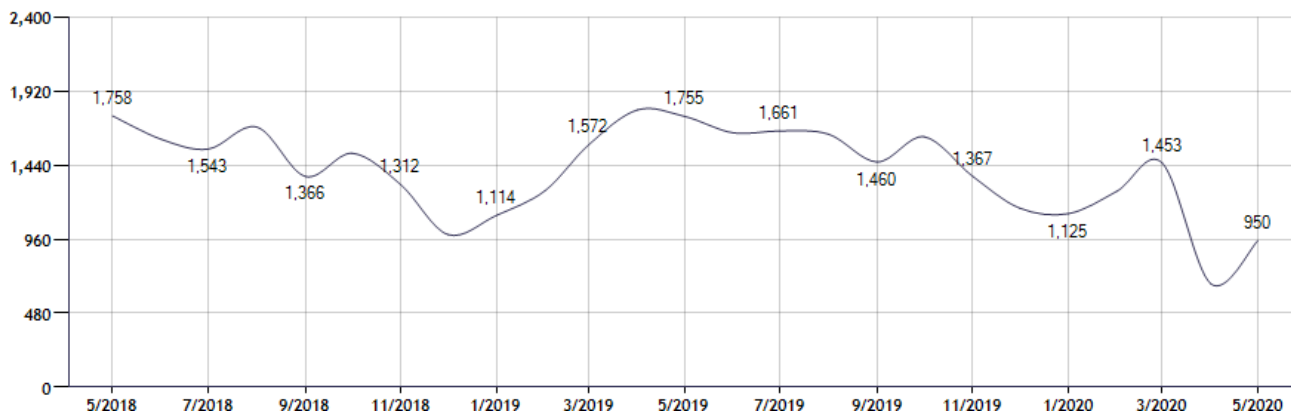
**Sold Property Counts for:  
Location: Nassau (County) (Last 24 Months - Residential, Condo, Co-op Properties)**



Source: [www.mlsli.com](http://www.mlsli.com)

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**Pending Sales Counts for:  
Location: Suffolk (County) (Last 24 Months - Residential, Condo, Co-op Properties)**



**THE OUTLOOK**



While economic data are still quite unfavorable, the worst of it appears to be over. Manufacturing and services have shown improvement, albeit at levels still well below the norm. Similarly, consumer confidence has improved yet it remains well below the historical average.

A particular concern is the rapid decline in sales tax collections in both Nassau and Suffolk counties. This indicates that consumer spending has been quite tepid and highlights the need for federal support to state and local governments in order to help offset these revenue losses.

And while business owner’s express optimism about future economic conditions, recent spikes in the coronavirus in the South and Southwest sections of the United States pose a threat to confidence and continued growth.

Fortunately, the coronavirus appears to be under control on Long Island and elsewhere in New York. With the recent implementation of phase three on Long Island, inside restaurant dining and close contact services like nail salons and barber shops are open for business. It is important to monitor this closely to identify any signs of future outbreaks.

In many other states that reopened more quickly, the coronavirus has spread at an alarming rate. Restrictions on travel to New York by residents of hotspot states should help control the spread to New York. But, this could also restrain economic activity on Long Island, particularly for tourism. Staycations by Long Islanders could help to offset this effect, however.