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. Perhaps most importantly, business and consumers express optimism about current and future economic conditions. This is impressive given the myriad uncertainties confronting the U.S. economy.

The manufacturing sector improved in New York but the service sector was sluggish. Home prices rose sharply while home sales continued their sharp decline despite historically low mortgage interest rates. However, continued rapid increases in pending home sales point to more robust home sales going forward.
For the week ending September 19, 2020, initial claims for unemployment insurance increased over the past year by 544% (including out-of-state residents) in New York State. Initial claims for unemployment insurance increased by a minimum of 200% in each of New York’s 10 labor market regions. This represents an uptick in year-over-year changes compared to August.

The labor market regions with the most rapid over-the-year percentage increase in initial claims included New York City (+743%), Hudson Valley (+478%), Long Island (+429%), Southern Tier (+345%) and Mohawk Valley (+335%).

**Initial Claims Data**

Over-the-Year Percent Change in Initial Claims by Region: Week Ending 9/19/2020

Source: New York State Department of Labor

Despite the jobs gains over the last four months, employment in the private sector is down by 141,000, or 12.1 percent, compared to a year ago. Still, the August unemployment rate was 10.5 percent, a substantial decline from the 13.8 percent July unemployment rate.
The National Federation of Independent Business’ (NFIB) Optimism Index increased 1.4 points in August to 100.2, a reading slightly above the historical 46-year average. Seven of the 10 Index components improved, two declined, and one was unchanged. The NFIB Uncertainty Index increased by two points in August to 90, the second-highest reading since 2017. The record reading of 100 was attained in November 2016.

NFIB Chief Economist Bill Dunkelberg noted that:

“Small businesses are working hard to recover from the state shutdowns and effects of COVID-19. We are seeing areas of improvement in the small business economy, as job openings and plans to hire are increasing, but many small businesses are still struggling and are uncertain about what the future will hold.”

Manufacturing activity in New York State grew significantly in September. The general business conditions index rose thirteen points to 17.0, its third consecutive positive reading. Forty percent of respondents reported that conditions had improved over the month, while 23 percent reported that conditions had worsened. The new orders index climbed nine points to 7.1, pointing to a modest increase in orders, and the shipments index rose seven points to 14.1, indicating a significant increase in shipments.

The index for future business conditions moved up six points to 40.3, suggesting that firms remained optimistic about future conditions, and to a greater degree than last month. The indexes for future new orders and future shipments posted similar readings, and firms expect to increase employment in the months ahead. The capital expenditures index rose thirteen points to 18.7, its highest level in several months, indicating that many firms planned to increase capital spending. In contrast, business activity in the Long Island region’s service sector declined modestly, according to firms responding to the Federal Reserve Bank of New York’s September 2020 Business Leaders Survey. The survey’s headline business activity index rose twelve points to -5.4, pointing to a slower pace of decline than in August. The business climate index rose eight points to -66.5, indicating that firms viewed the business climate as worse than normal, though to a somewhat lesser extent than last month.
Consumer confidence rebounded in September by the most in more than 17 years as Americans grew more upbeat about the outlook for the economy and job market, though sentiment remained below pre-pandemic levels.

The Conference Board’s index increased 15.5 points, the most since April 2003, to 101.8 from August’s upwardly revised 86.3. This was far in excess of expectations for a reading of 90 in September.

The group’s gauge of current conditions rose 12.7 points to 98.5, while a measure of the short-term outlook jumped 17.4 points to a three-month high. The gain in the expectations index was the largest since 2009.

Nevertheless, consumer spending as indicated by sales tax collections declined in August. Sales tax collections dropped by 9.13 percent year-over-year in Nassau County and by 9.44 percent in Nassau. However, these rates of decline were substantially less than in July.
ECONOMIC EFFECTS OF THE PANDEMIC: PRIVATE HOMES

Home sales prices rose sharply by 7.6 percent year-over-year in Nassau County, from $553,000 to $595,000. Sales prices increased from $414,000 to $456,000 in Suffolk County, a gain of 10.1 percent.

But home sales continued their sharp decline, falling by 28.9 percent in Nassau County, from 1,396 to 992 units sold. Home sales fell by 24.5 percent in Suffolk County, from 1,865 to 1,409 units sold.

But as in June and July, pending home sales grew rapidly, rising by 45.6 percent in Nassau County, from 1,282 to 1,866 units. And pending home sales rose by 42.4 percent in Suffolk County, from 1,645 to 2,342 units.

THE OUTLOOK

The labor market continues to move in the right direction, though employment is still substantially below pre-pandemic levels.

Small business retained an upbeat outlook for future economic conditions, a testament to their resilience. And, in contrast to recent months, consumer confidence also showed substantial improvement. This bodes well for the economy going forward.

But considerable uncertainty remains, including the impending election, the prospects for further stimulus, whether and when a Covid-19 vaccine will become available and economics tensions with China. This has the potential to rattle performance on the stock market as well as the real economy in the coming months.