This issue of the LIA newsletter again summarizes economic conditions on Long Island on the eve of the presidential election. Perhaps the most impressive news is that home sales have finally improved and substantially so. Rising consumer spending and optimism over future economic conditions also bode well going forward but, jobs growth has ebbed and many sources of uncertainty remain.
ECONOMIC EFFECTS OF THE PANDEMIC: LABOR MARKET

Initial claims for Unemployment Insurance (UI) increased over the past year by 286% (including out-of-state residents) in New York State for the week of October 24, 2020.

Initial claims for UI increased by a minimum of 22% in each of New York’s 10 labor market regions. Still, these represent more modest increases from a month ago.

The largest year-over-year percentage increase in initial claims included: New York City (+460%), Hudson Valley (+281%), Long Island (+232%), Central NY (+165%) and Capital (+153%). At the same time, initial claims for out-of-state residents grew by 326%.

Initial Claims Data
Over-the-Year Percent Change in Initial Claims by Region Week Ending 10/24/2020
Source: New York State Department of Labor

September private sector job gains in September were led by transportation and warehousing and private educational services. The social assistance industry, which includes child day care services, also added 3,600 jobs in September. Employment in the government sector grew by 14,700 in September, led by local government education services.

The unemployment rate in September fell to 6.4 percent. But this reflected a substantial drop in the labor force. The actual number of persons employed fell month-over-month.
The National Federation of Independent Business’ (NFIB) Optimism Index rose by 3.8 points to 104.0 in September, an historically high reading. Nine of the ten Index components improved and one declined. The NFIB Uncertainty Index increased 2 points to 92, up from 75 in April.

In reviewing the latest evidence, NFIB Chief Economist William Dunkelberg noted that:

“As parts of the country continue to open, small businesses are seeing some improvements in foot traffic and sales. However, some small businesses are still struggling financially to operate at full capacity while navigating state and local regulations and are uncertain about what will happen in the future.”

Other key results include:

- Earnings trends over the past 3 months improved 13 points to a net negative 12% reporting higher earnings.
- Owners expecting better business conditions over the next 6 months improved 8 points to a net 32%.
- Real sales expectations in the next 3 months increased 5 points to a net 8%.
- Inventory investment plans over the next 3 to 6 months increased by 5 points to a net 11%.
- The percent of owners thinking it’s a good time to expand increased 1 point to 13%.

The manufacturing sector expanded modestly in New York State according to firms responding to the October 2020 Empire State Manufacturing Survey. But the rate of growth has slowed. Specifically, the general business conditions index fell seven points to 10.5, pointing to a slower pace of growth than in September. New orders and shipments continued to increase while unfilled orders continued to decline. Looking ahead, firms remained optimistic that conditions would improve over the next six months though optimism was somewhat lower than in September.
Activity in the region’s service sector declined slightly according to firms responding to the Federal Reserve Bank of New York’s October 2020 Business Leaders Survey. The survey’s business activity index held steady but remained negative at -4.9. The business climate index was little changed at -65.9, indicating that most firms continued to view the business climate as worse than normal. Unfortunately, capital spending fell for a seventh consecutive month. And firms expected little improvement in business conditions over the next six months.

ECONOMIC EFFECTS OF THE PANDEMIC: CONSUMER CONFIDENCE AND SPENDING

Results from the University of Michigan Survey of Consumers Sentiment showed overall sentiment was little changed in October and remained well below pre-pandemic levels. Consumer sentiment increased to 81.8 in October, up from 80.4 in September, a 1.7 percent gain. From a year ago, the index is still down 14.3 percent and is 15.8 percent below the average level from 2018 through 2019.

The sub-indexes were mixed in October. The current-economic-conditions index fell to 85.9 from 87.8 in September. But the index of consumer expectations rose by 3.6 points or 4.8 percent for the month. Still, this is 5.9 percent below the previous year.

The latest results from the Conference Board’s Index of Consumer Confidence presents a somewhat more pessimistic view.

Results from these two surveys can differ for a variety of reasons:

- Both surveys are conducted monthly but not simultaneously.
- A sudden rise in gasoline prices or a drop in the stock market can affect
Many observers believe that the Conference Board survey tends to be better at picking up on indicators related to the job market and job security while the Michigan survey is a better measure of pocketbook issues like the price of gasoline.

On a brighter note, consumer spending as indicated by sales tax collections grew in September. Sales tax collections increased by 9.72 percent year-over-year in Nassau County and by 20.79 percent in Suffolk. This bodes well for the all-important holiday shopping season.

**ECONOMIC EFFECTS OF THE PANDEMIC: PRIVATE HOMES**

After six months of large year-over-year declines, September home sales rose substantially. Home sales increased by 15.9 percent in Nassau County, from 1,197 to 1,387 units. Sales rose by 18.0 percent in Suffolk County, from 1,498 to 1,768 units. Pending home sales also rose dramatically, suggesting that actual home sales will continue increase.

Home sales prices also increased substantially. Prices grew by 9.3 percent in Nassau County, from $540,000 to $590,000. Suffolk County home price sales increased from $410,000 to $464,375, a growth rate of 13.3 percent.\(^1\)

**THE OUTLOOK**

Long Island’s economy showed some promising trends of late. Consumer spending and home sales improved markedly. And despite many challenge, small business remains optimistic about future economic conditions.

At the same time, the economy, both on Long Island and nationwide, has rarely witnessed greater uncertainty. Election uncertainty. Uncertainty over when the Covid-19 epidemic will end. Uncertainty over if and when further federal assistance will become available and where the funds will go. Slowing employment growth and rising Covid-19 infections exacerbate these concerns.

Once election results become final, that uncertainty should be resolved. And the economy and the stock market have remained resilient despite this uncertainty. For his part, Warren Buffett—the Oracle of Omaha—has expressed optimism about the economy regardless of who wins the presidential election. And he is rarely wrong.

\(^1\) Source: OneKey™ MLS