

Economic Trends in the Nation

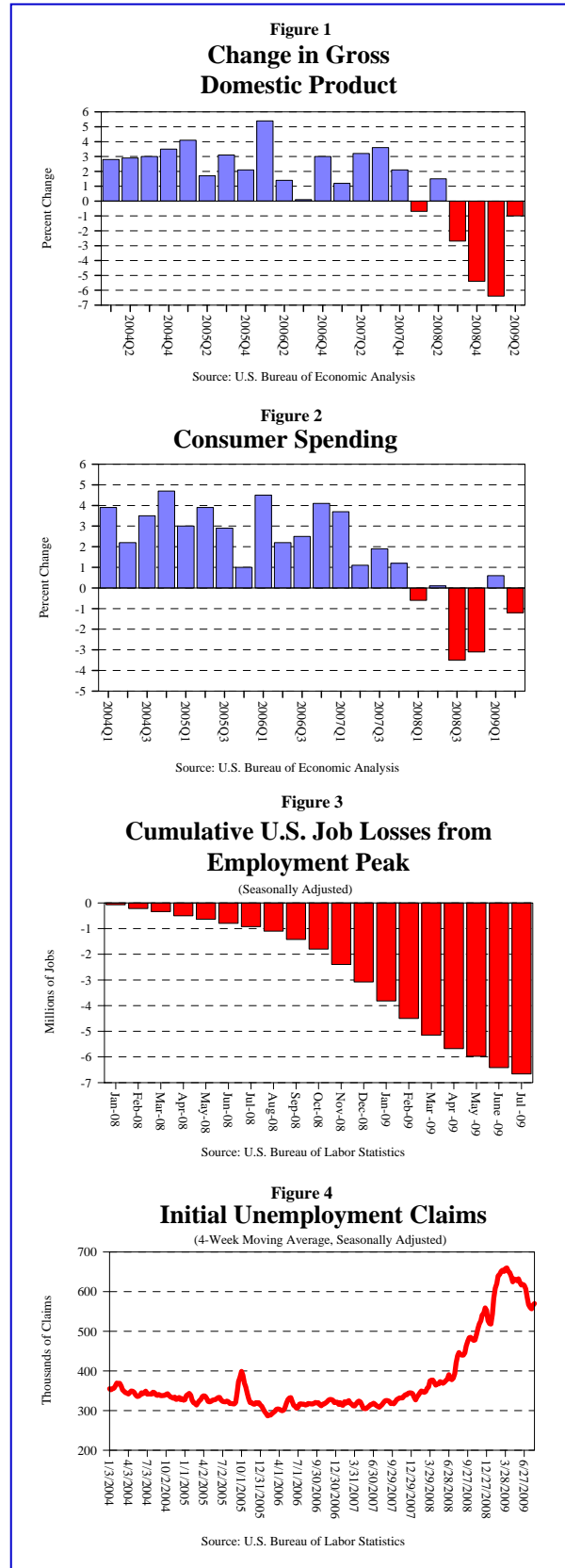


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The latest economic data suggest that the worst is over, and most economists expect the economy to expand during the current quarter. Economic activity, however, is likely to remain weak in the near term and job losses will continue into 2010. Although the decline in home values has slowed, foreclosures are still rising.

- ↔ The real Gross Domestic Product declined at an annual rate of 1 percent during the second quarter of 2009, much less than the prior three quarters (Figure 1). The Blue Chip economic consensus forecast is for the economy to grow by 1 percent in the current quarter.
- ↔ The consumer confidence index backtracked for the second consecutive month in July 2009 to 46.8. Although still higher than the lows reached this past winter, confidence has stalled below levels associated with economic growth.
- ↓ Consumer spending declined by 1.2 percent in the second quarter of 2009, after rising by 0.6 percent in the first quarter (Figure 2).
- ↑ The Institute for Supply Management's nonmanufacturing and manufacturing indices are near expansion levels. The Index of Leading Economic Indicators also points to growth.
- ↓ Job losses slowed sharply in July, but the nation still lost 247,000 jobs. Job losses now total 6.7 million since December 2007 (see Figure 3).
- ↓ The national unemployment rate declined in July 2009 to 9.4 percent, reflecting an increase in the number of discouraged workers, but the rate is expected to resume growing.
- ↔ Initial unemployment insurance claims, which had begun to decline from the peak in February, remained high at an average of 570,000 for the four-week period ending August 15.
- ↔ National home prices appear to be stabilizing. After falling by 17 percent over the past year, prices showed no change in May. Prices in some large cities even recorded small increases.
- ↑ Sales grew for both existing homes (3.6 percent) and new homes (11 percent) in June 2009, while pending home sales grew by 3.6 percent.
- ↓ Foreclosures rose by 14.7 percent in the first half of 2009 compared with one year ago.



Economic Trends in New York State



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The economic downturn is easing in New York, but the State's economy, unlike the nation's, is expected to contract in the current quarter. The State's recovery is also expected to be weaker than the nation's, and job losses will continue into 2010. The decline in home values has slowed, but foreclosures were up during the first half of the year. New York could benefit from an earlier-than-expected recovery on Wall Street, but the economies of New York State and its localities have been badly damaged.

- ▼ The New York State gross product declined by an estimated 1 percent during the second quarter of 2009, far less than the declines during the two prior quarters (Figure 1). IHS Global Insight expects the economy to contract by 0.6 percent in the current quarter.
- ▲ The Empire State Manufacturing Survey shows that business conditions improved in August 2009, with the index reaching its highest level since November 2007. In addition, the six-month outlook resumed its upward advance.
- ↔ Consumer confidence in New York State was unchanged in July 2009 at 64.3 points after dropping slightly in June, according to the Sienna Research Institute. Confidence has risen from a low of 51.6 points in October 2008.
- ▼ Preliminary data suggest that New York State added 62,100 jobs in July 2009, with most of the reported gains in New York City, due partly to the federal stimulus program. New York State has lost 192,200 jobs over the past year (Figure 2) and additional job losses are forecast.
- ↔ Initial unemployment insurance claims fell to 25,078 in the four-week period ending August 8—the lowest since November 2008.
- ▼ The unemployment rate in New York declined slightly to 8.6 percent in July 2009. Though less than the national rate (9.4 percent), it was still almost 4 percentage points higher than it was two years ago (Figure 3). New York City's unemployment rate rose to 9.6 percent.
- ▲ The securities industry has begun to recover, but it still faces significant challenges. After posting losses of \$42.6 billion in 2008, the industry reported record first-quarter profits of \$8.2 billion (Figure 4). Several firms have also reported strong profits for the second quarter.

