



ECONOMIC PERSPECTIVES

EMPLOYMENT CONDITIONS: AS GOES THE NATION, SO GOES THE FHLB NY DISTRICT

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HIGHLIGHTS:

- » *Hiring Slowed Across the FHLB NY District in March*
- » *Job Creation Ground to a Near Halt in the Empire State*
- » *Headcount Additions Remained Solid in the Garden State*
- » *Puerto Rico and the Virgin Islands Posted Modest Job Gains*
- » *Most of the FHLB NY Coverage Area is Operating at Full Employment*
- » *Wage Gains in the District Have Lagged National Average*

HIRING SLOWED ACROSS THE FHLB NY DISTRICT IN MARCH

The pace of job creation slowed markedly across the country in March. Capped by a return to more seasonable temperatures during the reference period, nonfarm employers added a comparatively modest 103,000 persons to headcounts, after the eye-catching 326,000 surge posted in February. Summing across individual state reports, the results were roughly similar with nonagricultural jobs expanding by 148,000 in March, following a 356,000 increase in February. Hiring patterns in the Federal Home Loan Bank of New York (FHLB NY) coverage area echoed those experienced nationwide (see Exhibit 1).

Exhibit 1: Job Growth Slowed in the FHLB NY District in March

	Monthly Change (thousands)				12-Month Change (thousands)				Percentage Change from Year Ago			
	Dec-17	Jan-18	Feb-18	Mar-18	Dec-17	Jan-18	Feb-18	Mar-18	Dec-17	Jan-18	Feb-18	Mar-18
United States:												
National Report	175	176	326	103	2188	2105	2231	2261	1.5	1.4	1.5	1.5
Sum of States	197	258	356	148	2070	2065	2200	2171	1.4	1.4	1.5	1.5
FHLB NY District	5.3	17.1	44.2	7.5	111	104	129	142	0.8	0.7	0.9	1.0
New Jersey	-3.7	15.4	13.0	5.1	43	53	60	67	1.1	1.3	1.5	1.6
New York	5.4	0.9	28.3	0.5	116	97	110	113	1.2	1.0	1.2	1.2
Puerto Rico	4.2	0.5	3.0	1.6	-46	-44	-39	-36	-5.1	-4.9	-4.3	-4.0
Virgin Islands	-0.6	0.3	-0.1	0.3	-3	-3	-3	-3	-7.6	-7.3	-6.6	-6.5
Private	7.4	14.1	46.8	6.9	124	116	141	151	1.0	1.0	1.1	1.2
Goods Producing:	-0.2	5.0	9.5	-3.5	0	2	6	7	0.0	0.2	0.4	0.5
Construction	-1.6	4.3	8.8	-6.6	5	6	9	6	1.0	1.1	1.6	1.2
Manufacturing	0.8	1.3	0.2	2.6	-4	-3	-3	1	-0.6	-0.3	-0.3	0.1
Service Producing:	7.6	9.1	37.3	10.4	123	114	135	144	1.1	1.0	1.2	1.3
Trade, Transport & Utilities	-2.7	0.8	15.0	2.5	6	3	18	23	0.2	0.1	0.7	0.9
Information	-0.5	-0.2	0.7	-0.3	-2	-2	-3	-3	-0.7	-0.5	-0.7	-0.8
Financial Activities	-1.4	2.7	2.5	-1.0	6	7	9	7	0.6	0.7	0.9	0.7
Professional & Busi. Services	3.8	9.1	6.7	5.9	20	30	34	41	1.0	1.4	1.6	2.0
Education & Health Services	-1.0	-0.7	6.0	2.5	66	57	55	54	2.4	2.0	2.0	1.9
Leisure & Hospitality	9.6	-2.5	5.5	2.1	21	12	14	16	1.5	0.9	1.0	1.1
Other	0.0	-0.3	0.9	-1.3	8	6	8	7	1.3	1.0	1.3	1.1
Government	-2.1	3.0	-2.6	0.6	-13	-13	-12	-9	-0.6	-0.5	-0.5	-0.4

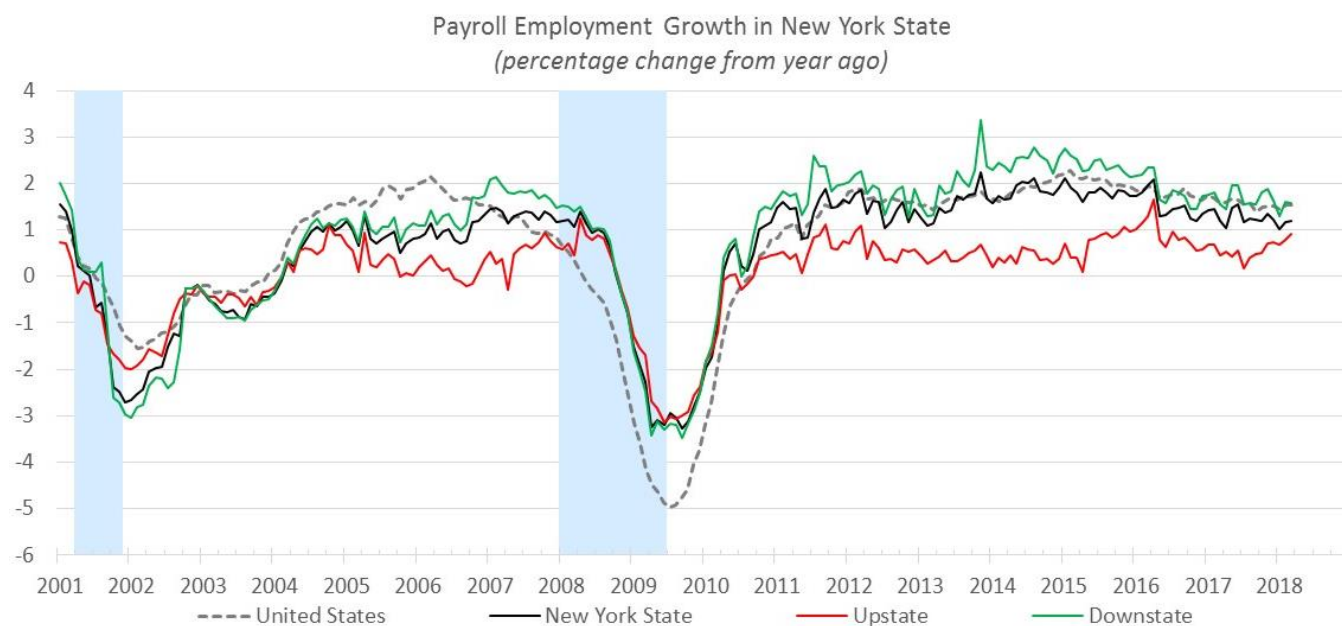
Source: Bureau of Labor Statistics

Slower net job creation in New York, New Jersey and Puerto Rico capped the FHLBNY District payroll gain at just 7,500, after a 44,200 jump in February and a solid 17,100 increase in January. With the exception of a modest 300-job rebound in Virgin Island payrolls, all areas of the FHLBNY region experienced smaller job gains in March than in February. The Empire State added just 500 new positions, following a 28,300-job jump in February, while the pace of hiring in the Garden State was more than halved to 5,100. Puerto Rico added 1,600 workers, boosting the cumulative increase since last year’s devastating hurricanes to 15,300. Local manufacturers and governments, which together added 3,200 workers, were the only segments experiencing stronger hiring than in February. Supporting the view that a return to more normal climatic conditions likely played a role in March’s lackluster results, the number of construction jobs in the District contracted by 6,600, erasing three quarters of February’s 8,800 gain. Private service-producing concerns added 10,400 workers last month, well off February’s 37,300 clip, but above the 8,400 December-January average. Over the latest 12 months, the FHLBNY coverage area created an estimated 142,000 net new jobs, accounting for almost 6½% of the 2.22 million positions added nationwide. New York and New Jersey powered that gain, adding 113,000 and 67,000 jobs, respectively. By contrast, nonfarm payrolls in Puerto Rico and the Virgin Islands contracted by 38,000 since March 2017. Educational institutions, health-service providers, and professional and business services accounted for two-thirds of the jobs generated locally over the past 12 months.

JOB CREATION GROUND TO A NEAR HALT IN THE EMPIRE STATE

New York State added just 500 net new jobs in March, following an impressive 28,300 gain in February. Last month’s tally marked the weakest hiring performance since the 1,800 positions shed last July. The echo of a similarly weak performance 12 months earlier, however, left the year-to-year growth in Empire State payrolls unchanged at 1.2%, still below the 1.5% nationwide average. Aggregate figures continue to mask sharp disparities in job creation across the State (see Exhibit 2).

Exhibit 2: New York City Hiring is Fueling Downstate Job Growth



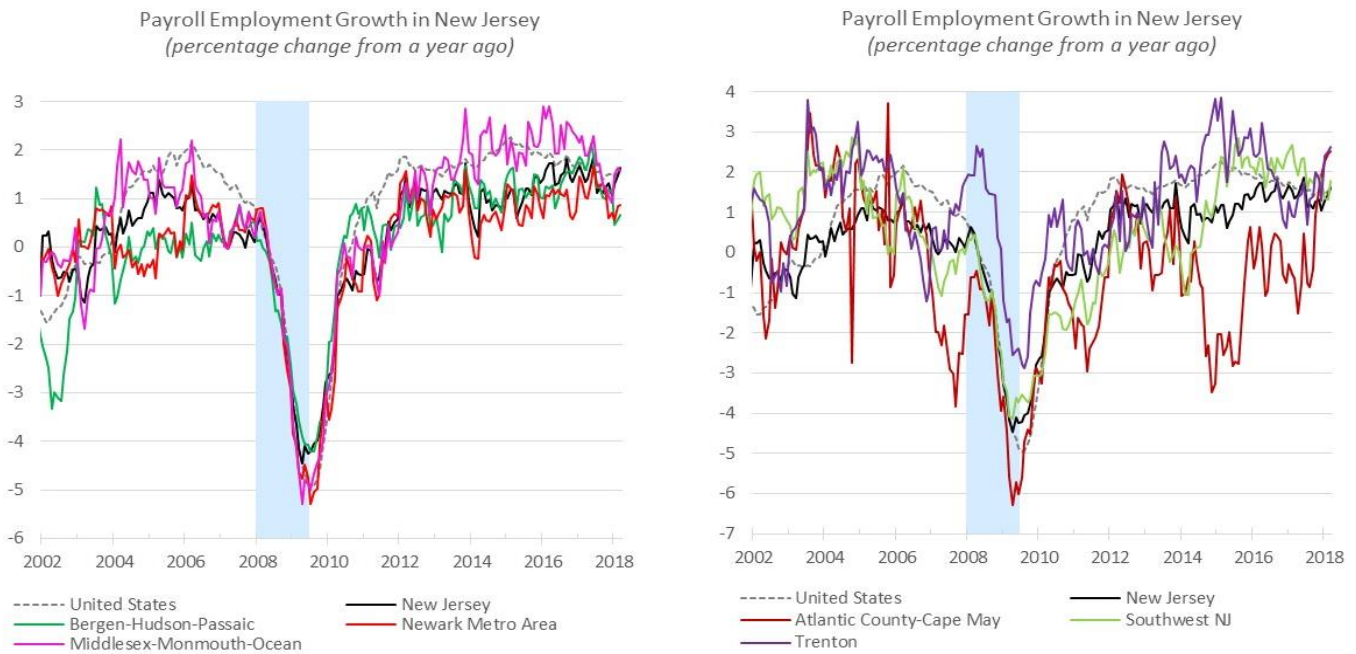
Note: Shaded areas denote recessions. Source: Bureau of Labor Statistics

Almost three quarters of the 113,300 jobs added since March 2017 have been attributable to stepped-up hiring in New York City alone, which added 81,200 workers. Meanwhile, surrounding suburbs boosted headcounts by an estimated 23,600. Reflecting improved labor market conditions in the Albany, Buffalo and Rochester metro areas, upstate employers added 21,200 workers over the past 12 months, with a little less than half of that gain occurring since the end of 2017 alone. Hiring conditions were the weakest in the Binghamton, Elmira, Glens Falls and Utica-Rome areas, where an estimated 3,000 jobs were lost.

HEADCOUNT ADDITIONS REMAINED SOLID IN THE GARDEN STATE

While job creation slowed in the FHLB NY district in March, New Jersey turned in the best performance. The Garden State created 5,100 net new positions, after a 13,000 rise in February and a 15,400 increase in January. At 1.6% during the reference period, the year-to-year growth in nonfarm payrolls in New Jersey exceeded the nationwide pace for the first time since last June. The southwestern portion of the State, including the Camden metro area, accounted for much of last month’s gain, adding an estimated 2,900 workers following February’s 1,200-job rise. Shedding 2,900 workers during the reference period, after a 10,100-job prior-month gain, Middlesex, Monmouth and Ocean counties – along with the Newark Metro area – posted the weakest results. While job growth varied widely across New Jersey over the past 12 months, all major areas reported higher payrolls than in March 2017 (see Exhibit 3). Hinting that last month’s pullback likely was an aberration, Middlesex, Monmouth and Ocean counties boosted headcounts by 14,200, accounting for a little over one fifth of the 67,100 positions created statewide. The southwest region including Camden added 10,700 to local payrolls, while the Newark metro almost matched that increase at 10,500. Trenton boosted payrolls by 7,000 followed by Hudson and Passaic counties at 6,100 and the Atlantic City-Cape May area at 4,300.

Exhibit 3: Payrolls are Growing Across New Jersey, but at Varying Rates



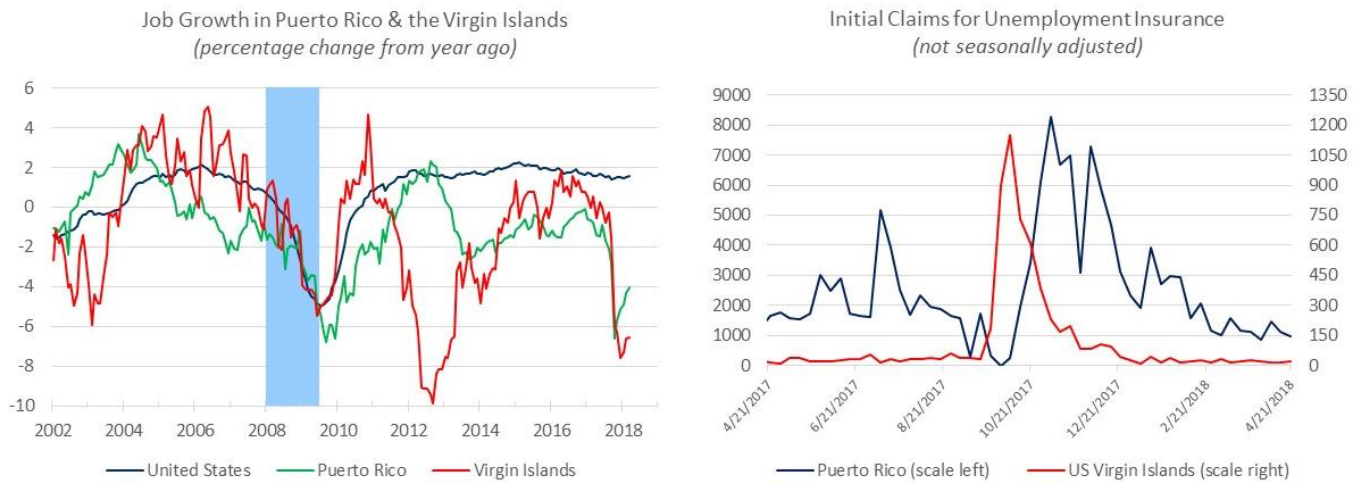
Note: Shaded areas denote recessions. Source: Bureau of Labor Statistics.

PUERTO RICO AND THE VIRGIN ISLANDS RECORDED MODEST JOB GAINS

The pace of hiring remained modest in Puerto Rico and the U.S. Virgin Islands in March. Capped by reported slowdowns in hiring in San Juan, Carolina and Caguas, Puerto Rico created 1,600 net new jobs, following a 3,000-job increase in February. Since last year’s hurricane-related devastation, Puerto Rico has added 15,300 nonfarm jobs. Yet, at an estimated 851,500, payroll employment remains 4.0% below the level of March 2017 (see Exhibit 4, left). While all areas of the Commonwealth reported fewer jobs than a year ago, San Juan, Carolina and Caguas accounted for 20,600 of the 35,900 positions lost. Headcounts in the Virgin Islands remained on a saw-toothed path during the reference period, with 300 jobs added more than reversing the 100 positions shed in February. At 35,800, nonfarm payrolls in the Virgin Islands stood 6.5%, 200 jobs, below the level posted 12 months earlier.

While it remains premature to call a turning point in labor-market conditions in Puerto Rico and the Virgin Islands, there are some encouraging signs. Initial jobless claims in both Puerto Rico and the Virgin Islands over the past six weeks have remained well below the levels posted prior to the series of ruinous storms (see Exhibit 4, right). After hitting a peak of 8,280 in the filing period ended November 4, initial claims have receded to just 978 as of April 21 – 1,370 shy of the average recorded over the 13 weeks before the hurricanes. New jobless claims spiked to 1,150 in the Virgin Islands during the week of October 7 and at 21 in the latest reporting period were 15 below the pre-storm mean.

Exhibit 4: Labor Markets Stabilizing in Puerto Rico & the Virgin Islands



Note: Shaded areas denote recession. Source: Department of Labor.

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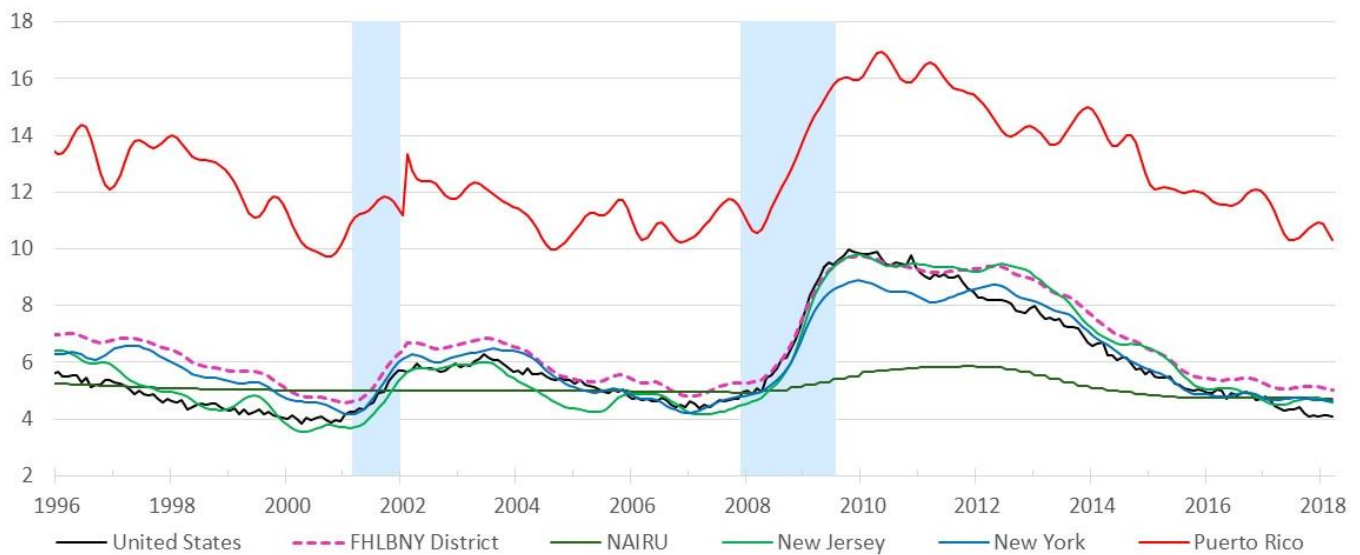


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MOST OF THE FHLB NY DISTRICT OPERATING AT FULL EMPLOYMENT

The unemployment rate in the FHLB NY coverage area remained on a downtrend in March, dipping slightly to 5.03% from the 5.07% recorded in February. While above both the national average of 4.1% and the 4.7% level economists associate with full employment, last month's reading was the lowest since May 2007 (see Exhibit 5). The jobless rates in the Empire and Garden States moved slightly lower to 4.64% and 4.60%, respectively during the reference period, as reported reductions in civilian labor forces (-23,861) eclipsed declines in household employment (-20,616). The combination of 1,320 persons finding work and 1,940 persons leaving the labor force left the unemployment rate in Puerto Rico at an eight-month low of 10.3%. Since March 2017, the unemployment rate in Puerto Rico has fallen by a full percentage point, as the 30,500 persons leaving the labor force was almost double the estimated 16,430 persons losing jobs.

Exhibit 5: Unemployment Rates (%)



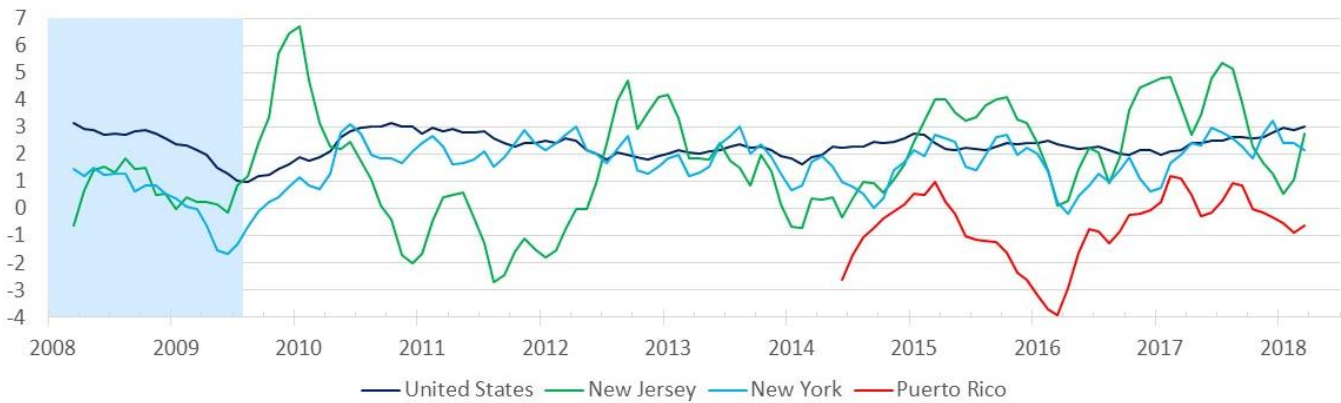
Note: Shaded areas denote recessions. Source: Bureau of Labor Statistics.

WAGE GAINS IN THE DISTRICT HAVE LAGGED NATIONAL AVERAGE

While the majority of the FHLB NY district has been operating near full employment, nominal compensation increases have remained below the national average (see Exhibit 6). In contrast to the mean 3.0% year-to-year increase enjoyed across the country, average weekly earnings of all private workers in the Garden State rose by 2.8% over the three months ended March. The gap below the countrywide mean was even larger in New York, where the year-to-year growth in weekly pay averaged just 2.2% during the first quarter. Not surprising given the economic challenges faced since last year's series of destructive storms, average weekly earnings in Puerto Rico have contracted by 0.6% since the winter of 2017. With the civilian unemployment rate in the FHLB NY district running almost a full percentage point above the national average, it should come as no surprise that local nominal compensation increases have lagged behind the rest of the Nation.

Exhibit 6: Nominal Compensation Gains have Lagged National Average

Average Weekly Earnings of All Employees
(percentage change from year ago, 3-mth moving average)



Note: Shaded areas denote recession. Source: Department of Labor.

QUESTIONS / COMMENTS?

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