



## ECONOMIC PERSPECTIVES

### UNEMPLOYMENT NOT ONLY FALLING, BUT ALSO NARROWING ACROSS THE FHLB NY DISTRICT

Authored by Brian Jones, FHLB NY Financial Economist

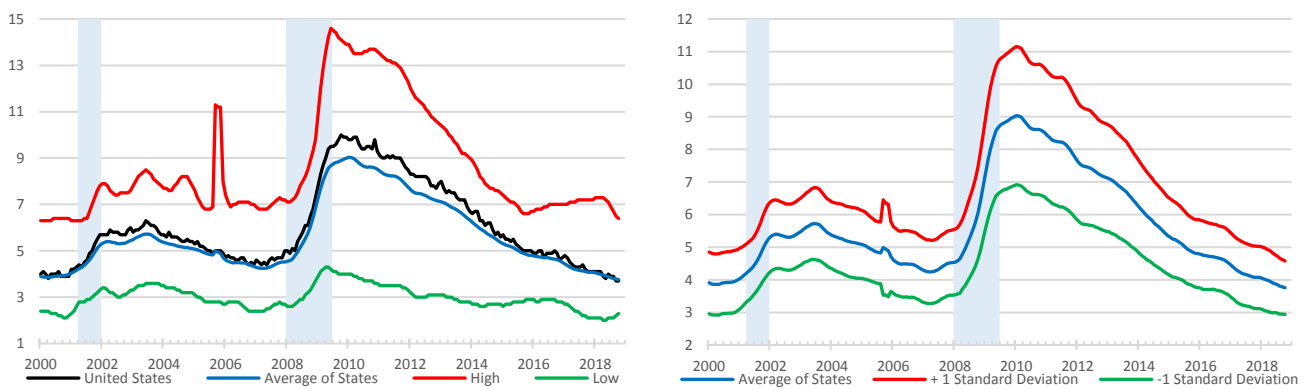
#### HIGHLIGHTS:

- » National Joblessness at a 49-Year Low; All But Seven States Operating at or Through Full Employment
- » Labor Markets in New York Tightest in FHLB NY District; Dispersion Across Counties Narrowest Ever
- » Unemployment Has Fallen Sharply Across New Jersey Counties, But Distribution Remains Wide
- » Range of Unemployment Rates Across Puerto Rican Municipalities Widest in FHLB NY Coverage Area
- » With Unemployment Expected to Move Lower, Prospective Wage Gains Should Be Widely Disbursed

#### NATIONAL JOBLESSNESS AT A 49-YEAR LOW; ALL BUT SEVEN STATES OPERATING AT OR THROUGH FULL EMPLOYMENT

While the 2.3% annualized growth rate of real GDP over the course of the current business cycle upturn has been barely half that of prior post-World War II expansions, the reduction in unemployment since the economy troughed in June 2009 has been truly impressive. Since hitting a peak of 10% four months later, the civilian jobless rate has tumbled to just 3.7% – the lowest level since the end of 1969 and well below the 4.5% level most economists associate with full employment. Indeed, over that span 8.85 million people entering the labor force, along with a staggering 9.28 million previously unemployed persons, found work. Of particular note has been the breadth of the improvement in labor market conditions across the fifty states. The average state unemployment rate has fallen from a post-financial-crisis high of 9.0% to 3.8%, with the gap between the highest and the lowest estimates narrowing by six percentage points to 4.1% or from Alaska at 6.4% to Hawaii at 2.3% (see Exhibit 1, left). Two thirds of the fifty states had an unemployment rate between 2.9% and 4.6% in October, with all but seven – Alaska, Arizona, Louisiana, Mississippi, New Mexico, Ohio and West Virginia – operating at or through full employment (see Exhibit 1, right). To varying degrees, New York, New Jersey and Puerto Rico have had similar experiences over the past decade.<sup>1</sup>

Exhibit 1: National and Statewide Unemployment Rates  
(Percent of Civilian Labor Force)



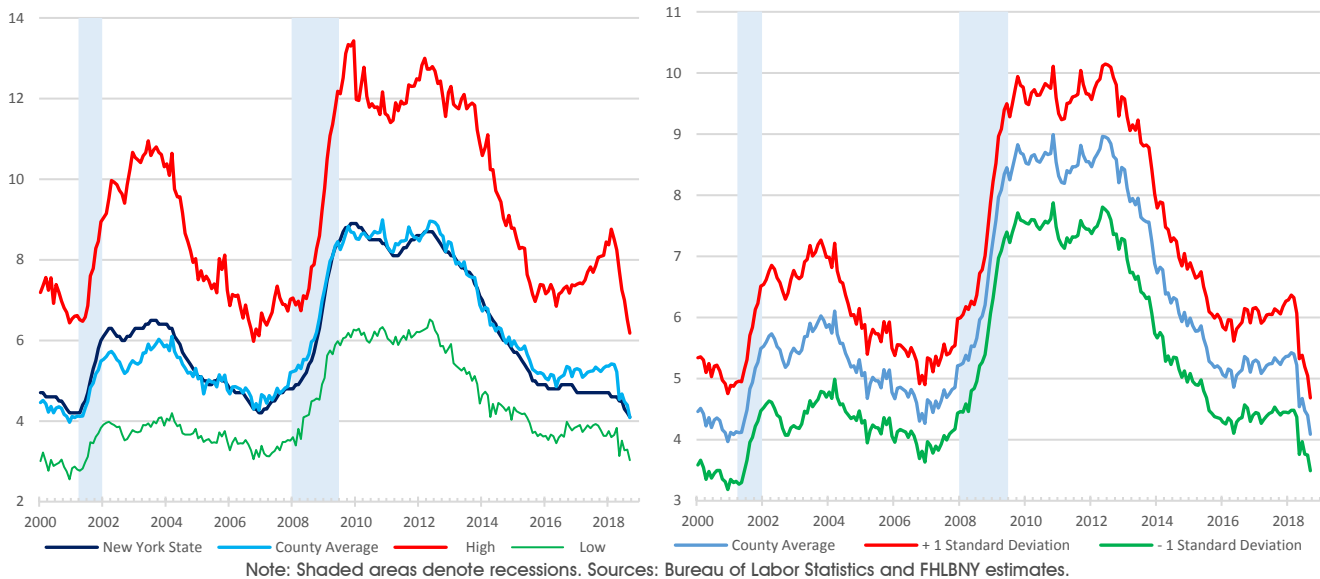
Note: Shaded areas denote recessions. Sources: Bureau of Labor Statistics and FHLB NY estimates.

<sup>1</sup>Household survey data from which unemployment rates are calculated are unavailable for the Virgin Islands.

## LABOR MARKETS IN NEW YORK TIGHTEST IN FHLB NY DISTRICT; DISPERSION ACROSS COUNTIES NARROWEST EVER

New York State fared somewhat better than the nation as a whole in the wake of the Great Recession, with joblessness topping out at 8.9% in December 2009 – a little over a percentage point below the countrywide peak. Since that time household employment in the Empire State has expanded by 620,628, easily absorbing the 157,137 new entrants into the labor market and leaving the civilian unemployment rate at a record low 3.98% in October. At the time of the most recent peak in statewide joblessness, unemployment across the 62 counties ranged from a low of 6.3% in Tioga County to a high of 13.4% in Allegany County after seasonal adjustment. That gap has been more than halved over the past nine years and as of September extended from a low of just 3.0% in Clinton County to a high of 6.2% in Greene County (see Exhibit 2, left). Perhaps even more important, the dispersion of unemployment rates across counties has narrowed markedly, with the standard deviation dropping from 1.1% to just 0.6% (see Exhibit 2, right). Two thirds of New York’s counties currently have a jobless rate between 3.5% and 4.7%, with all but 12 operating at or below the 4.5% full employment level.

Exhibit 2: New York State and Countywide Unemployment Rates  
(Percent of Civilian Labor Force)

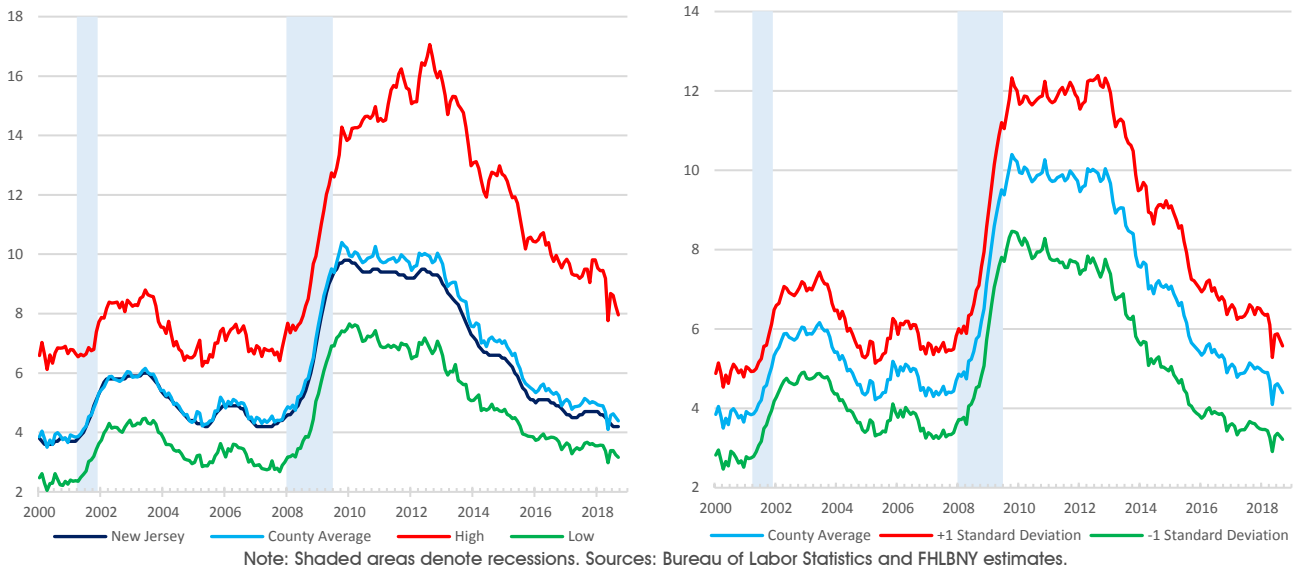


## UNEMPLOYMENT HAS FALLEN SHARPLY ACROSS NEW JERSEY COUNTIES, BUT DISTRIBUTION REMAINS WIDE

New Jersey’s labor market performance since the financial crisis ended has been similar to that of its next-door neighbor, but the range of unemployment rates across counties remains comparatively wide. Unemployment in the Garden State climbed from 4.5% as the economy topped out in December 2007 to a 9.8% peak two years later. Since that time, the hiring of 210,104 workers, combined with 51,641 persons deciding to leave the state’s labor force, has pared the civilian unemployment rate to 4.1% – still well shy of the record low of 3.6% set in May 2000. When joblessness was at its height, unemployment rates across the state’s 21 counties ranged from a low of 7.5% in Hunterdon County to a high of 13.8% in Cumberland County after seasonal adjustment (see Exhibit 3, left). While the dispersion closed by 2.5 percentage points – from a low of 3.2% in Hunterdon County to a high of 8.0% in Cape May County as of September – the range of jobless soundings across the Garden State has remained considerably wider than that across the 50 states or the 62 counties of New York.

Two-thirds of New Jersey’s counties currently have an unemployment rate between 3.2% and 5.6% (see Exhibit 3, right). However, seven counties – Atlantic, Camden, Cape May, Cumberland, Essex, Passaic and Salem – have yet to reach the full-employment mark.

**Exhibit 3: New Jersey and Countywide Unemployment Rates**  
(Percent of Civilian Labor Force)



### RANGE OF UNEMPLOYMENT RATES ACROSS PUERTO RICAN MUNICIPALITIES WIDEST IN FHLBNY COVERAGE AREA

While apparently similar in many respects numerically, the experience of Puerto Rico stands apart from its FHLBNY district brethren. Economic conditions were challenging in the U.S. territory well before last year’s devastating storms struck. Between December 2009 and October 2017, the unemployment rate in Puerto Rico dropped from 15.9% to 10.7%, but for the “wrong” reason. The 87,758 decline in unemployment over that span was entirely attributable to a hefty 193,879 persons deciding to leave the local labor force. Indeed, household employment actually contracted by 106,121 over that period. Since last year’s weather-induced disaster, labor market conditions have steadily improved. The unemployment rate has continued to decline, falling to record low 8.0%, as 1,594 people have entered the labor force and another 31,243 previously jobless persons found work. In October 2017 unemployment in Puerto Rico ranged from a low of 4.8% in Guaynabo City to a high of 22.9% in Lajas. As of September, that gap has closed to 11.2 percentage points and now extends from a low of 3.8% in Culebra to a high of 15.0% in Guanica (see Exhibit 4, left). The standard deviation of unemployment rates across the 78 municipalities has fallen from 3.8% to 2.7% over the latest 12 months, with two-thirds of those areas now between 7.3% and 12.7% (see Exhibit 4, right).



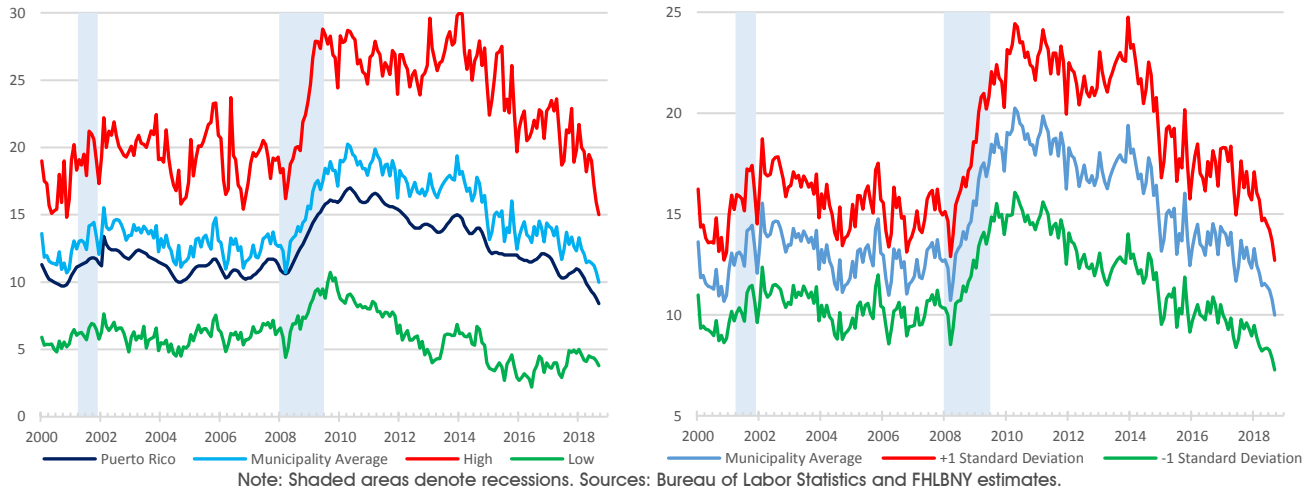
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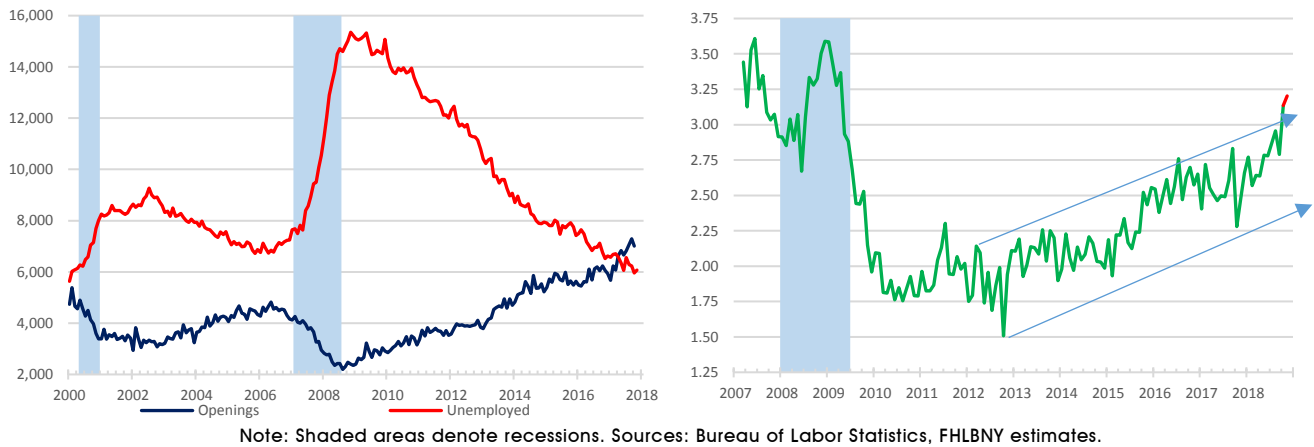
**Exhibit 4: Puerto Rico and Municipality Unemployment Rates**  
(Percent of Civilian Labor Force)



**WITH UNEMPLOYMENT EXPECTED TO MOVE LOWER, PROSPECTIVE WAGE GAINS SHOULD BE WIDELY DISBURSED**

Both official institutions and private forecasters expect the national unemployment rate to reach new cyclical lows over the coming year. With the available job openings now exceeding the number of unemployed persons in the U.S. by a little over one million, the projected decline could accelerate, putting additional upward pressure on nominal wage growth (see Exhibit 5). The ongoing narrowing of joblessness across the FHLBNY coverage area implies that employees across the district will benefit from those prospective compensation gains.

**Exhibit 5: Further Declines in Unemployment Will Put Additional Pressure on Nominal Wages**  
Job Openings & the Unemployed (Left); Percentage Change in Average Hourly Earnings From a Year Ago (Right)



**QUESTIONS / COMMENTS?**

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