# PANDEMIC RECOVERY OVERVIEW

## ECONOMIC OUTLOOK

While many New Yorkers continue to be impacted by COVID-19, economic indicators including the real gross domestic product (GDP), an inflation-adjusted measurement of the United States (U.S.) economic output over the course of a year, are showing economic recovery. Real U.S. GDP surpassed its pre-recession peak during the second quarter of 2021, as Federal COVID-19 emergency spending provided an unprecedented level of economic stimulus. The national economy is estimated to have posted strong growth of 5.6 percent for the 2021 calendar year, after contracting 3.4 percent in 2020.

Though the nation's recovery is proceeding at a healthy pace, recent experience has shown this recovery is unlike any other. A substantial share of employees shifted to remote work, altering household spending patterns within their respective commuting zones. Notably, the recovery in national output was achieved with a labor force that, as of December 2021, remained 2.3 million, or 1.4 percent, below its February 2020 level. Employment levels remain below their pre-pandemic peaks in almost every industry, with leisure and hospitality jobs still down by more than 1.2 million, or 7.2 percent.

Since the height of the pandemic, the New York State economy has recovered significant ground, regaining 62.6 percent of the private sector jobs lost in March and April 2020 as of November 2021. However, this compares to an 86.6 percent rebound for the nation.

The outlook for the State labor market remains favorable for 2022, despite a new wave of infections of the Omicron variant. Total New York State employment is projected to grow 5.6 percent in 2022, with private sector jobs growing 6.3 percent. State employment is projected to surpass its pre-pandemic level in 2024, representing a significant lag compared to the nation.

State wages fell 2.0 percent in FY 2021 due to downward pressure from the beleaguered labor market. However, a much stronger performance is expected for the State fiscal year in progress due primarily to strong bonuses and a rebound from the employment losses of the prior year. State wage growth is estimated to increase 11.4 percent for FY 2022.

Supported by aggressive fiscal and monetary stimuli, the financial services industry, a key driver of State tax receipts, experienced a very profitable 2021. Solid bank profits for 2021 are estimated to have driven strong financial sector bonus growth of 16.2 percent for FY 2022, following 20.2 percent growth for FY 2021. But with the impact of the pandemic-related fiscal stimulus diminishing and the Federal Reserve starting to tighten, finance and insurance sector bonuses are projected to decline 9.9 percent for FY 2023.

## GREAT RESIGNATION

As schools returned to in-person learning, the employment level started to pick up in the fall of 2021. For the prime working-age population, defined as adults from ages 25 to 54, the employment to population ratio followed an increasing trend, reaching 79.0 percent in December 2021, while the U.S. unemployment rate declined to 3.9 percent, 2.8 percentage points lower than the same month of the prior year. Despite these improvements in the U.S. labor market, the anticipated wholesale return of the labor force did not happen, with December 2021 labor force 2.3 million below its pre-pandemic level.

The increased rate of early retirement was not limited to older workers. In November 2021, workers resigned from 4.5 million jobs in the U.S., as job quit rates rose to an all-time high of 3.0 percent. This unusual increase in the quit rate is emblematic of what has been coined the "Great Resignation." During this period, with the help of extended unemployment benefits, increasing house prices, and stock market gains, workers had a chance to reassess their working conditions. Many workers quit their jobs seeking more flexible working conditions, better pay and benefits, and new career paths.

A pandemic-driven labor force exodus was marked by workers who have health concerns due to returning to in-person work and those who are caring for dependents (children, elderly, ill, or disabled). Higher voluntary job quit rates were observed among the employees who work in the sectors that are not suitable for remote work, such as leisure and hospitality, and health care and social assistance.

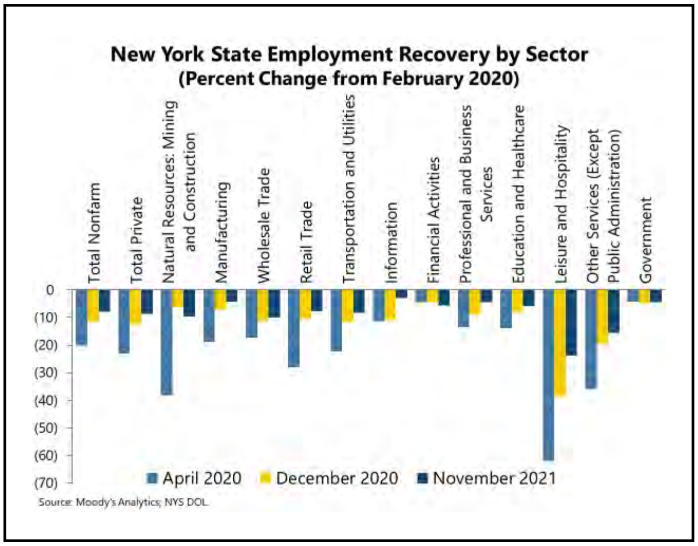
## STRUGGLING SECTORS AND POPULATION LOSS

Despite the expiration of the supplemental Federal UI programs, the New York State labor market was tight through the end of 2021. As for the nation, there are multiple reasons behind the tight labor market. One factor is the lack of affordable childcare and eldercare, an ongoing problem that was certainly exacerbated by the pandemic. A wave of early retirements is also thought to have been driven by the pandemic, supported in part by strong 401k performance. Anecdotally, workers appear to be reassessing their work-life balance and career aspirations, including their desire for permanent remote work, hybrid options, and even self-employment.

Yet another factor potentially restraining workforce participation has been the rise in the national saving rate during the pandemic, particularly during those months corresponding to the distribution of Federal economic impact payments. These data suggest that many households were able to accumulate savings at historically high rates.

The industries that have been the slowest to come back are also the State's lowest-wage industries: leisure and hospitality, still down 23.9 percent as of November 2021 compared to February 2020, and the other services sector – including repair and maintenance, personal care and laundry services, and domestic services – is down 15.6 percent. Along with retail, these low-wage but high-contact service industries have been the most at risk during the pandemic.

As of November 2021, employment in wholesale trade and real estate and rental and leasing sectors were still 10.0 percent below their February 2020 level. In addition, New York substantially lags the nation's employment recovery in professional, scientific, and technical services; and the finance and insurance sectors.




As all sectors trudge back to their pre-pandemic employment levels, only the information, professional and technical services, and healthcare and social assistance sectors, are forecast to do so by the end of 2022. While other sectors have improved markedly, the retail, wholesale, and leisure and hospitality and other services sectors lag the most in their recoveries and are not projected to recover before 2026.

New York City's jobs recovery continues to lag behind the rest of the nation. During the first two months of the pandemic, New York State lost 1,983,000 jobs when the virus and the ensuing protective measures halted most everyday activities. Of these job losses, 957,000 were concentrated in New York City, of which fully 32.7 percent were located in the leisure and hospitality sector, a vital component of the City's economy. Since the start of the recovery in May 2020, New York City has recovered 53.6 percent of its job losses as of November 2021, whereas the State has regained 60.4 percent. As a point of further contrast, the nation has regained 83.1 percent of the pandemic-related job losses.

Several underlying factors explain New York City's sluggish jobs recovery from the pandemic. At the onset of the pandemic in the United States, New York City was the epicenter of the virus. Moreover, international travel restrictions aimed at slowing the spread of the virus, coupled with businesses canceling all non-essential travel, led to a steep drop in enplanements and the closing of the City's convention centers, entertainment venues, galleries, and museums. In essence, many of the things that make New York City special were shut down and remained so for quite some time. Additionally, New York City contains an extraordinary concentration of high-skilled/high-income workers and business professionals with a high potential for remote work.

New York City is by far the most populous city in the nation, more than double that of the next largest city, Los Angeles. Moreover, New York City is the most densely populated city in the nation, approximately 1.5 times that of the nation's next most densely populated city, San Francisco. The abrupt halt to tourism and travel wrought by the onset of the pandemic landed a devastating blow to the New York City economy. As a result of the closures of many tourist attractions, New York City visitor spending declined 53.9 percent in 2020, amounting to nearly $34 billion in losses, which balloon to $59.1 billion when accounting for indirect and induced impacts.

Although the shift to remote work during the pandemic has been a national phenomenon, its negative impact on New York City has been disproportionately greater than for the rest of the State and the nation due to its high concentration of office workers who can work remotely. The shift to remote work in New York City led to a particularly steep drop in the demand for office support services, which did not have the same options to work remotely. These negatively impacted occupations include facilities support services, business support services, office administrative support services, eating and drinking establishments, and other consumer service-based establishments.

The prevalence of remote work contributed to a reallocation of workers from high-density to low-density commuting zones, causing residential prices in New York State's suburban and rural areas to rise significantly. Additionally, this influx of new residents boosted spending in local economies and accelerated their economic recovery.

According to the U.S. Census Bureau's Vintage 2021 population estimates, the U.S. population grew by 392,665, or 0.1 percent, in the past year — the lowest rate since the nation's founding. The slow rate of growth is attributed to decreased net international migration, decreased fertility, and increased mortality due to the COVID-19 pandemic. New York State population declined by 319,000, or 1.6 percent, from 20,154,933 on July 1, 2020, to 19,835,913 on July 1, 2021. New York had the largest population decline among 50 states. The State's declining population can be attributed in part to negative domestic migration (-352,185), far greater than its trend in the past decade. If this trend continues, businesses may struggle to find workers, and State employment and wage growth may stagnate.

## NEW YORK STATE'S PANDEMIC RESPONSE AND RECOVERY

### KEEPING NEW YORKERS SAFE

**83.4%**

Of all New Yorkers have at least **one dose of the vaccine**

**10M**

**At-home testing kits** distributed to New Yorkers

**9M**

**Excelsior Pass and Excelsior Pass *Plus*** digital credentials issued

### GETTING BACK TO SCHOOL

**$100M**

Erased in unpaid tuition and fees for **52,000+ CUNY students**

**4.4M**

**Reusable masks** distributed and…

**7.5M**

…**rapid test kits** issued to schools

### SUPPORTING OUR LOCAL ECONOMIES

**$950M**

In grants across **Small Business Recovery**, **Tourism Return-to-Work**, **Meet in NY** and **Restaurant Resiliency Programs**

**$97M**

**Supported New Yorkers experiencing food insecurity** and connected farmers to regional food banks, pantries and homeless shelters **through Nourish NY** in FY 2022

### HELPING THOSE IN NEED

**$2B**

In Emergency Rental Assistance, supporting over **160K households**

**15K**

**Childcare providers** receiving OCFS awarded stabilization grants

**$387.1M**

Distributed to **1,453 New York municipalities** for COVID-19 relief

Note: This represents New York State actions and spending as of January 18, 2022.